A PAPER

ON

THE CIRCULATING MEDIUM,

ON

SEIGNORAGE ON GOLD COIN,

AND ON THE STATUTE

THE 7TH AND 8TH OF THE QUEEN, CAP. XXXII,

ENTITLED,

An Act to regulate the Issue of Bank Notes, and for giving to the Governor and Company of the Bank of *England* certain Privileges for a limited Period. [19*th July* 1844.]

BY

ALEXANDER GIBBON, ESQ.

LONDON:
THOMAS HATCHARD, PUBLISHER,
187 PICCADILLY.

1856.

Price 2s. 6d.

ON

THE CIRCULATING MEDIUM.

THE truth of the saying that there is great virtue in a definition, would be eminently proved by obtaining from writers and speakers on *Money* and the *Money-market*, a definition of the sense in which they use those terms. In most, if not in all writings and speeches on those subjects, on which very much has been written and spoken, the *accumulated capital* and the *circulating medium* of the country are confounded, and treated of as if they were undistinguishable and inseparable one from the other; as if governed by the same laws and similarly affected by disturbing causes. An assumption than which none can be more unphilosophical and erroneous.

The *accumulated capital* of the United Kingdom, the fruit of the industry and economy of ages, is of inconceivably enormous amount—many thousands of millions in value—while the *circulating medium*, consisting of *coin* (forming a part, but only a very minute part, of such capital) and of paper money *payable to bearer in coin on demand*,* amounts, probably at the very most, to 80 millions.

The total amount of the *paper money out or in circulation* in the United Kingdom is accurately known from the statutory weekly and monthly returns made by the Issuers of it, and published in the Gazettes; which show that that amount, *i. e.* the sum total of coin by such *paper money* promised

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* The words *payable to bearer in coin on demand*, are, for the sake of brevity, frequently omitted after the word *paper money* in the following pages, in which, when the word paper-money occurs, it is to be understood always to mean paper-money *payable to bearer in coin on demand*.

to be paid on demand, was, on the average of the 10 years ended with 1854, 37 millions (37,025,882), and in none of those years amounted to 40 millions, except in the year 1853,* in which year it amounted to £40,327,820.

The coin, forming a very small item of the whole capital of the country, is not only *unproductive capital*, but capital which, by abrasion or wear, is continually *decreasing in value*. It probably amounts to as much as the paper-money *out* or in circulation—and taking that at 40 millions (3 millions above the average amount of it *out* in the 10 years ended with 1854) it would be another sum of 40 millions, which is here assumed to be the sum total of the *coin existent in the circulating medium;* the exact amount of it, if it could be ascertained, being, for the present purpose, immaterial.

There are very probably many individual subjects of the realm worth a million or more each—the property of any forty, or of a less number than forty, of whom, collectively exceeds therefore in value all the coin in circulation in the United Kingdom.

In order to assist the mind in forming some conjecture, vague as it must be, as to the value of the capital or property of the people of the United Kingdom (which value may truly be said to be of inconceivable amount) and the comparative value of all the coin in circulation within it, an inventory and valuation may be imagined, in which there would have to be set down, inter alia, the items following—viz.:—

	£ Millions.
1st. The value of all the land of the United Kingdom and of the timber growing thereon.	
2nd. The value of all produce, other than timber, growing in or upon that land—of the Farm-buildings—and of the flocks, herds, horses, swine, poultry, and other animals thereon—of the farming stock and utensils for the cultivation of it and the collection of its produce—and of such produce	

* Appendix A.

£
millions.

on hand or in store ready for the consumption of 27½ millions of people* until the next harvest.

3rd. The value of all mines of copper, lead, tin, iron, coal, and other mines, and of all quarries of marble, stone, lime, and other quarries—of the minerals wrought out of such mines and quarries—of all the buildings, engines, and machinery appurtenant to or used in or about the working of them—and of the metals smelted and prepared for sale,† and all the works in marble, stone, etc., so prepared, on hand for home consumption or exportation.

4th. The value of all cathedrals, churches, monuments, public buildings and erections, palaces, houses or dwellings in the United Kingdom; and of the statues, pictures, plate, linen, china, clocks, books, fixtures, furniture, decorations, and utensils therein.

5th. The value of the raiment, jewels, watches, rings, instruments, and personal ornaments in use, or in reserve for the use, of 27½ millions of people.

6th. The value of all goods, wares, and merchandize of home or foreign production or manufacture, and of all other commodities (other than the produce of the land) in store, or in hand of merchants, wholesale and retail dealers, or others, for the use of or consumption of such 27½ millions of people, or for exportation to foreign countries, or to our own colonies and foreign possessions.

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* England and Wales	18,070,735	20,959,477	27,475,271. Census of 1851.
Scotland .	2,888,742		
Ireland		6,515,794	

† The quantity of iron produced in Great Britain from 402 furnaces in the year 1840, is stated to have been 1,396,400 tons, and the quantity of coals used in smelting and working it, to have been 6,877,000 tons.—*Statistics of Iron*, by John Barclay of Glasgow; *Progress of the Nation*, by G. R. Porter, anno 1847, p. 272.

£
Millions.

7th. The value of all the capitals embarked in docks, harbours, canals, bridges, railways, gas-light, water and other works, and of all the buildings, machinery, and *materiel* of such works,* and the capitals engaged in the various numerous other concerns which may be seen mentioned in the published daily or other periodical "prices current" of Shares, etc.

8th. The value of the floating capitals of merchants and traders ultra the value of their goods, wares, and merchandize in store or in hand—of such capitals of individuals and ordinary copartnerships engaged in banking, in marine Insurance, in commercial, trading, or other pursuits.

9th. The value of all ships and vessels of war, the property of the Crown, afloat, in dock or building, with their tackle, apparel, and munitions of war; and of all ships and vessels afloat or building for the merchant service, with their tackle, apparel, boats, and other furniture.

10th. The value of all the dockyards, arsenals, and laboratories, and of all the naval and military stores, arms, equipments, and munitions of war, and other *materiel* therein; and of all the barracks, and hospitals, (including those at Greenwich, Chelsea, and Kilmainham), and of their contents and appurtenances within the United Kingdom, and all mercantile dock-yards therein, and of their contents.

Other items might be added in such an imagined inventory, but those above set down would exceed collectively, at the lowest at which they could reasonably be estimated, many thousands of millions in value.

* The capital raised and expended in the construction of railways only within the United Kingdom, at 31st December last, was nearly 300 millions (£286,068,794). Parliamentary Paper, No. 510, Sess. 1855.

The public debt, including the value of Government annuities for lives and for terms of years, is not less than 800 millions.*

It is a mortgage on all the property of the United Kingdom; and estimating such property at only twenty times the amount of that mortgage debt, it would amount in value to 16 thousand millions.

In such inventory, showing an amount of property very many thousands of millions in value, would have to be set down, as an item, all the coin of the realm, worth about 40 millions. The paper-money, if set down, as an item in such inventory, could be set down only at its value as waste-paper.

By the *instrumentality* of this small, and comparatively insignificant sum of 40 millions of capital in coin, all daily and other payments and receipts in and throughout the United Kingdom are effected. The amount of them may truly be said to be inconceivable, as may be in some degree elucidated as follows, viz:

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* £751,645,818, exclusive of the value of £3,686,692, the amount of the annuities mentioned in the text. Finance Accounts, No. 366, Sess. 1855.

It may surprise many to learn by how few creditors the public stocks or funds are holden, and to consider the probable condition in society of the bulk of such creditors. The number of parties to whom a half-year's dividend became due in October 1832 and January 1833, on every description of public stock and terminable annuities, was as follows, viz.:—

Parties entitled to dividends	not exceeding £5—87,176	131,824		
Ditto	not exceeding £10—44,048			
Ditto	not exceeding £50 . .	98,305		
			230,129	255,770
Ditto	not exceeding £100 . .		25,641	
Ditto	exceeding £100			23,981
Parliamentary Paper No. 202, Sess. 1833.			Total number of parties	279,751

It is more than highly probable, that of the above 98,305 parties, very few were above the middle class; and that of the 131,824 (nearly half the number of parties by whom the whole public debt was holden), almost *all* were of the humbler classes of the people, of whom it appears that only one in a hundred held any stock in 1832-3. (27,500,000÷100=275,000.) And by the Parliamentary Paper No. 207, Sess. 1855, it appears that 36 millions (£35,935,629) of stock stood, on 20th November 1854, at the credit of depositors in Savings' Banks and Friendly Societies, who are necessarily all of the humbler classes of the people.

In the year 1839 there were, exclusive of the Bank of England, 75 firms or establishments of banks or bankers in London;—of which number, 28 of them settled part of their demands on each other at the office supported by them, called the Clearing-house;—the aggregate amount of whose payments thereat, in that year, was nearly 1,000 millions, (£954,401,601)* or more than 3 millions (£3,068,815) a-day, reckoning 311 working days in the year. *That* sum of 3 millions a-day did not include the daily payments of their customers to one another, which were made by transfers in the books of those 28 bankers, nor the daily payments made over their counters, which were of course of vast daily amount; inasmuch as all the claims of the other 47 banks or bankers on those 28, and of those 28 on the other 47, had to be paid in money—of which the component sums amounted collectively to probably much more than other 3 millions a-day, or another 1,000 millions a-year.

There is in the *London Post-Office Directory* for 1855, a list of more than 1,800 separate establishments of provincial banks or branches of banks in the United Kingdom; and if part—say half—of the daily payments of 28 out of 75 London bankers, (namely, the supposed half settled at the clearing-house) amounts,—at the time present,—to no more than in the year 1839, viz: to 1,000 millions a-year—how vast, it may be asked, must be the amount in a year, of *all* the daily payments of those 28 and the other 47 London bankers, of the National banks of England, Scotland, and Ireland, and of those more than 1,800 provincial banks or bankers!—And if to the amount of those payments could be added the sums paid for the wages or recompense of all daily or other labour or service, agricultural, mining, manufacturing, artistic, industrial, professional, and warlike, in the United Kingdom, and the daily and other payments for the cost of food, raiment, and all other the neces-

* Second Report of the Committee of the House of Commons on Banks of Issue. It is understood that no authoritative account of the amount of payments at the Clearing-house has been published since 1839, or is obtainable.

saries and the comforts, conveniences and luxuries of life, of home and foreign production, consumed by 27½ millions of people in the United Kingdom (which commodities all pass, exchanged for money, through several hands in their transition from the producer or importer, *viâ* the merchant, wholesale dealer, retail dealer, and other channels, to the consumer):—and if to all those could be further added the daily and other payments out of the vast sums of capital embarked in agriculture, trade, etc., whereout such wages or recompense are provided and paid, and by means of which such articles of consumption are produced,—and if to that again could be added the receipts and payments in respect of the public-revenue, amounting, in time of peace, to more than 50 millions a-year, and passing through many hands in its receipt and expenditure, and a variety of other payments which it is needless to specify—the aggregate annual amount of all such payments (being many tens of thousands of millions), would be an amount truly inconceivable*.—And yet they are all made by the *instrumentality* of the *comparative* driblet of 40 millions of coin;—for the paper-money, although the most powerful component part of the circulating medium, is kept in circulation by that coin in which it is payable to bearer on demand.

The power of accumulated-capital is derived from its quantity only. But the power of the circulating medium is derived from the action of two forces in combination, namely, its quantity multiplied by the velocity of its circulation.

If *double velocity* could be imparted to the circulating medium existent and in use in the country at any given time—*half the quantity*, *cæteris paribus*, would suffice for its purposes; and, *vice versâ*, if the velocity of such circulating medium were

* In vindication of the use of the word inconceivable in the text, it may be noticed, that if one person were set to count only 800 millions, the amount of the public debt, counting 120 sovereigns a minute, and engaged 12 hours a-day for 311 working days a-year, the task would occupy 30 (29·77) years considering that fact, who, it may be asked, can have any definite conception of sums amounting to tens of thousands of millions.

to be lessened by half,—then *double the quantity*, *cæteris paribus*, would be requisite for the same purposes. These propositions are self-evident.

The power of the circulating medium derived from its quantity, compared with its power derived from the *velocity of its circulation*, is so little, that it may almost be said to be as nothing in that comparison—and yet, in most, if not all of the writings and speeches on *money* and the *money-market*—the circulating-medium is not only confounded with the accumulated-capital of the country, but the *quantity* of it only is considered or discussed—without regard being had to the velocity of its circulation—although its vast and inconceivable power is derived mainly from that velocity—For that by any contrivances or devices, how ingenious soever, such velocity of circulation should be imparted to 40 millions of coin and 40 millions of paper-money, as to effect by means of them receipts and payments to the amount of many tens of thousands of millions in a-year does seem to be inconceivable—the more, when it is considered, that the same 40 millions of coin are, or may easily be made, sufficient, *cæteris paribus*, to effect the receipts and payments made by means of them not for a year only, but for ages or centuries, subject only to recoinage from time to time by reason of abrasion or wear.

The less coin that can be made to suffice in the circulating-medium of the country, (that is to say) the greater the velocity of circulation which can be imparted to the coin, the less will be the expense of it to the nation—in two ways—first, By conversion of unproductive capital, which coin is, into productive capital—and secondly—by saving of loss caused by the abrasion or wear of it.

Considerably increased velocity has, of late years, been given to the circulating-medium of the United Kingdom, by the increased velocity of locomotion attained by the railways within it; *e.g.*, about a century ago, it took ten days to perform the journey between London and Edinburgh; and supposing that the payments between those two cities were 10 thousand pounds a-day, each to the other, then, in those times,

there must have been twenty sums of 10 thousand pounds each always *in transitû* on the road—while now that the same journey is performed in 12 hours, two sums of 10 thousand pounds each suffice to make payments which formerly required 20 times 10 thousand pounds. And a considerably increased velocity has lately been given to the circulating-medium in London, by an increased number of banks or bankers (beyond the 28 mentioned in page 6, ante) being admitted to daily settlement at the Clearing-house.

An extraordinary demand for accumulated capital, exceeding the ordinary supply of it, causes a rise of the rate of interest in the market; but the demand for such capital must be extraordinary indeed, which, during peace, should cause a rise of that rate in the United Kingdom, for time of any continuance, or in any material degree.

War, especially when the expense of it, or great part of the expense of it, is defrayed out of *capital* raised by loans creating an increased public-debt, instead of being raised out the *incomes* of the people, of course increases the rate of interest in the market, by the extraordinary demand for capital for the supply of such loans.

It is foreign to the subject in hand, to discuss the policy or expediency of carrying on war by creation of debt, instead of by means of revenue drawn from the incomes of the people. But as that point is of the highest importance, involving the well doing and well being, if not the very life, of the State, a very short digression upon it may be permitted.

The public-revenue on an average of the ten years ended with 1853, *i. e.*, the year before the commencement of the present war, amounted to 53 millions a-year,* which arose

* £53,142,508. *Vide* Appendix B.

from taxes paid by the people out of their incomes.† It is probably very near the truth to assume that such taxes amounted to a twelfth part of the incomes of the whole people, from the Queen, prince, and peer to the peasant, artizan, and labourer. Upon that estimate, the incomes of the whole people of the United Kingdom during that time, till the outbreak of the present war, amounted to 12 times 53 millions, or 636—say 600 millions a-year. Supposing the cost of the war to be such as to double what was the amount of the public-expenditure in time of peace, and that therefore a sixth, instead of a twelfth part, of the incomes of all the people were required for that expenditure, the question for the statesman arises—shall that amount of taxes be imposed and levied during the war, or shall the war be carried on by creation of debt in addition to the 800 millions of public-debt now already existing?

Arguments are adduced by politicians for carrying on the war by creation of further debt instead of by imposition of taxes.

Without following those arguments in detail, the sophistry and hollowness of them will manifestly appear, if only it be considered—that if war shall succeed to peace and peace to war in all time hereafter as in all time heretofore, the cost of every new war being defrayed, or in part defrayed, by the creation of debt: and if in each succeeding interval of peace the debt incurred for the preceding war be not redeemed, but every war be begun with an increased, and carried on with a continually increasing debt, the Nation, as far as its public debt is

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† The income-tax at sevenpence in the pound, in the year 1853, produced $5\frac{3}{4}$ millions;[a] while the taxes on tobacco and snuff produced in the same year $4\frac{3}{4}$ millions;[b] and the taxes on malt, hops, and spirits, produced in the same year $15\frac{1}{3}$ millions,[c] which, with by far the greater part of all other taxes, were paid out of income. See Appendix C.

[a] £5,730,458. Finance Accounts, Sess. 1854, p. 44.
[b] £4,728,642. same accounts, ,, p. 30 } £20,141,411
[c] £15,412,769. same accounts, ,, pp. 30-36 }
on tobacco and snuff and spirits, the whole public expenditure, *minus* the charge of the public debt, being £22,833,741, on an average of the ten years ended with 1853. *V.* Appendix B.

concerned, must, through a long period of suffering and turbulence, become insolvent and go to ruin *sometime or other*.

Many sensible persons are of opinion that of late years, during peace, the amount of the savings, by the people of the United Kingdom, of income converted into capital, has not been less than 50 millions a-year. That opinion is corroborated by the notorious fact, that an enormous amount of capital has, during that time, been invested in public works, and those numerous various other concerns at home and abroad which appear in the daily and other periodical "prices-current" of shares, &c.,—without any diminution of capital previously invested otherwise. In railways only, and within the United Kingdom only, nearly 300 millions of capital were during that time invested—*v.* note, page 4, *ante.*

If 50 millions a-year, in addition to the ordinary annual public expenditure in time of peace, would defray the expenses of the present war—it surely would be much more for the good and safety of the country, that the 50 millions a-year which constituted savings, should be drawn by taxes from the incomes of the people and applied in defraying the expenses of the war, rather than be raised by the ruinous, and, if persisted in, the fatal procedure of defraying such expenses, by yearly or other continued additions to the public debt created by former generations; which is already a burden so great, that the annual charge of it has far exceeded the public expenditure of the present generation for all its other requirements and purposes. Such excess on an average during the ten years ended with 1854 was 5½ millions a-year—viz.—such charge £28,374,432, such expenditure £22,833,741, excess £5,540,691—*v.* Appendix B.

Although an extraordinary demand for capital, especially a sudden demand, *e. g.* for advances of large sums of *capital* upon loans to the public in time of war, raises the rate of interest in the market, such demand would be extraordinary indeed to cause a great continuous rise in that rate in the United Kingdom.

Great and sudden rises in the rate of interest for loans of money from banks and bankers and other dealers in floating capital, are confined to dealings in money with or among merchants and traders, and chiefly, perhaps, with or among such as are engaged in or connected with foreign trade.

Although during the panic of 1847 interest at the rate even of 15 or 16 per cent. per ann. was said to have been paid by those classes of the people, for loans of money for short periods; and in 1855, when, owing to some disturbance in money matters among the same classes, interest at the rate of 6 or 7 per cent. was paid by them for such loans for such periods—yet the rate of interest on loans upon mortgage or other enduring security for terms of years, did not fluctuate at all. Even on the 800 millions of public debt, the rate of interest did not fluctuate in 1847 more than a few shillings per cent. per ann.;* although the public funds from which money to any amount, for stock holden, can always be obtained in a few hours (without cost of legal instruments, stamps, &c., as in the case of most other securities) are continually resorted to for ready money, on emergencies in money matters; and although they be liable to fluctuation in value upon events in home, colonial, and foreign politics, and even upon ephemeral opinions and rumours touching such events.

Disturbance of mercantile credit, increasing at times to what is called "panic in the money market", whatever may be the real cause of it at anytime, or to whatever cause it may be

* The price of 3 per cent. Consols during the five years from April 1845 to April 1850 was as follows:—

	Highest price.			Lowest price.			Mean price.			Interest carried by the mean price.			
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	
From 5 April, 1845 to 5 April, 1846	100	12	6	91	17	6	96	5	0	3	2	3	per cent. per ann.
From 5 April, 1846 to 5 April, 1847	97	6	0	87	17	6	92	11	3	3	4	10	,,
From 5 April, 1847 to 5 April, 1848	90	0	0	79	17	9	84	18	9	3	10	8	,,
From 5 April, 1848 to 5 April, 1849	97	12	6	88	12	6	93	2	6	3	4	5	,,
From 5 April, 1849 to 5 April, 1850	98	15	0	94	12	6	96	13	9	3	2	1	,,

ascribed when it takes place, cannot arise from lack of capital in the United Kingdom. Such disturbance or panic usually arises *suddenly*, and in no long time usually ceases or is dispelled; whilst such capital, vast and inconceivable in amount as it is, *cannot* be subject to sudden *fluctuation in quantity* so as to cause such disorder, always sudden, in the " money market".

It will on consideration also be found that such disturbance or panic is, perhaps, never caused by any lack of circulating medium in the country, but arises solely from *discredit* and *distrust*, and can cease only upon the restoration of *confidence*.

When disturbance or panic arises in the money market, a run by their alarmed or timid customers upon banks and bankers (especially if one or more of them be constrained to stop payment) is always to be apprehended, if it does not always take place. Banks and Bankers, therefore, instead of being able to make, if they were willing to run the risk of making, advances of money in relief of such disturbance or panic, naturally withhold somewhat of even their usual accommodation by advances to their customers, to provide or guard against such run upon themselves,*—and if circulating medium to any amount were poured into their coffers, they would not lend or advance, and ought not to lend or advance, any of it, to parties in distress or of doubtful credit, *for the sake of excessive interest for the loan of it*—for money lent by Banks and Bankers is for the most part the money of their customers; and loans at excessive interest are made, perhaps always, upon *some* contemplation of *risk* of solvency of the borrower.

Such disturbances or panics are not therefore to be ascribed to lack of capital or lack of circulating medium, but to impediment in the velocity of circulation of the latter, caused by dis-

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* All Banks or Bankers, how rich soever they may be, are creatures of *credit*. There is no Bank, from the Bank of England to the bank of least extensive dealings, nor any Bank or Banker that would not stop payment if half or quarter of their several liabilities payable to bearer on demand were presented for payment all at once, or on the same day. And the stoppage of payment of a bank, how solvent or rich soever it may be, is always disastrous, and often fatal. All Banks and Bankers are therefore justified in using all precautionary measures, however painful, to avert such a calamity.

trust, and care for their own safety, in the minds of parties whose business it is to circulate it.

Twenty or fifty millions silently withdrawn from the supply of accumulated capital in the United Kingdom would have no effect in raising the rate of interest in the market within it, and would cause no "disturbance" in the "money market", because the largest of those sums is a mere trifle of the whole amount of such capital.

But a few millions withdrawn from the circulating medium, especially of coin suddenly withdrawn, to be hoarded or sent abroad, would cause great "disturbance" in the money market,—not by lack simply of a few millions in the proportion of the number of millions withdrawn to 80 (assuming 80 millions to be the whole amount of the circulating medium), but by lack of the number withdrawn multiplied by the velocity of their circulation at the time of withdrawal—a disturbance which could hardly fail to be disastrous, especially to merchants, traders, or others requiring, continually, command over sums of circulating medium, wherewith to pay their acceptances or other engagements due or becoming due on days certain.

It would be unwarrantable to hazard any conjecture as to what would represent, in figures, the velocity of the circulation of the 40 millions of coin and the 40 millions of paper-money* assumed to be the amount of them respectively in circulation in the United Kingdom. The velocity of the circulation of the paper-money immeasurably exceeds the velocity of circulation of the coin, which must be counted piece by piece, or weighed in no very large quantity at a time, on its transfer from party to party; while the paper-money can be counted by hundreds and thousands of pounds at a time, as fast or faster than the leaves of a book can be turned over, and can be transferred by thousands and tens of thousands of pounds in a letter by post, from one end of the country to the other, with the utmost celerity, almost absolutely free from risk and at expense which

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* The amount of the paper-money on an average of ten years ending with 1854, was 37 millions (£37,025,882). *Vide* Appendix A.

is almost literally nominal—while to transport to considerable distance tens of thousands, or any large sum in gold coin, is attended with no inconsiderable risk and expense, and with delay and trouble in counting or weighing the metal at each end of its journey.* But assuming, merely for the sake of illustration, that the coin and paper-money, effecting all payments in the United Kingdom, amount together to 80 millions circulating with velocity, represented by the figures 1,000, (which, considering the statement pp. 6, 7, *ante*, touching the amount of those payments, is probably very much under the mark) then, upon those data, the sudden withdrawal of a single million from the *quantity* of the circulating medium effects a diminution of the *power* of it, not simply of a million, but of a million multiplied by 1,000, which is 1,000 millions.

Inconceivable as such a sum is, it is nevertheless really a small sum, in comparison with the whole amount of the payments made in the United Kingdom; being only equal in amount to a part, perhaps to half the amount, of the yearly payments of 28 of 75 London bankers—*v.* p. 6, *ante*. The sudden withdrawal of so much of its *power* from the circulating medium, little as it may be, compared with its whole power, cannot be unattended with consequences and effects of great force and importance.

Considering that inconceivably immense power, and that it is mainly derived from *velocity of circulation*, it must necessarily be of the very utmost importance, that the circulating-medium should be so constiuted by law as to be subject, as little as practicable in the nature of things, to diminution in *quantity*, especially to sudden diminution in quantity, by arbitrary abstraction from it; or to diminution in quantity from any cause except increase of the velocity of its circulation. That a well constituted circulating-medium can never be in excess or in deficiency in quantity will appear in the sequel.

Paper-money, properly constituted by law, payable by a

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* 5000 sovereigns weigh 107 pounds and a small fraction Troy weight.

solvent bank in coin on demand, can never be in excess; because no bank *can* force out and *keep out* such paper-money in circulation, beyond what may be called the natural demand for it in the channels in which it circulates—any excess of issue beyond such demand would be immediately brought back to the bank for payment in coin. This proposition becomes manifest on considering, if a bank were supposed to possess power to force out and keep out its notes, payable in coin on demand in excess—what would be the limit of that excess—for it would be absurd to imagine, that the directors of any bank could force out and keep out its "notes" for the profit of the bank to any amount *ad libitum*. The law by which paper-money, issued in excess, cannot be kept out in excess, the excess always returning to the issuer, is a law, in the nature of things, established by the Almighty Father of the Universe.

There need be no fear that paper-money, *free from undue restraint of issue by law*, will ever be in deficiency in the circulating-medium—it being for the interest and profit of the issuers of it, to give out, and keep out, enough to satisfy all proper demand for it, to the very utmost; and it is easy to show, that coin, *properly constituted*, like paper-money payable in coin on demand, can never be in excess, or in deficiency in the circulating-medium of the United Kingdom—although now liable to disturbance, by fluctuation of the *quantity* of the gold coin existing in it, *as that coin is now constituted*, from two causes—viz., first—from the benefit, which may be called fiscally a bounty, given to melters and exporters of the gold-coin of the realm, by the fancy indulged in, not only of ascertaining the weight and fineness of it, (*i. e.*, coining gold) for nothing; but moreover of making, to the importer of bullion into the Mint to be coined, a present of the alloy mixed with it; and secondly—from certain of the provisions of the 7th and 8th of the Queen, cap. 32, which became law on the 19th July, 1844.

The preamble of that statute, namely, "Whereas it is expedient to *regulate* the issue of bills or notes payable on demand", is a mere *petitio principii*, and is affirmatory of a pur-

pose, which is not only not effected by the statute, but which is, for the reasons hereinafter stated, impracticable.

The title of the statute is "An Act to regulate the issue of Bank notes". But all that it enacts is—not the "regulation" but merely "restraint" of the issue of such notes, by the establishment of a maximum quantity thereof, which may lawfully be out or existent (and not be exceeded under penalty) in the circulating-medium of England and Wales* at any one time after the 10th day of October, 1844.

The 12th of Anne, stat. 2, cap. 12, established a maximum rate of interest in England after the 29th of September, 1714; such maximum rate being 5 per cent. per ann; not to be exceeded under penalty.

That statute does not *regulate*, nor affect or purport to *regulate*, the rate of interest: which has, for long periods of time, during peace, since the enactment of that statute, ranged, in the market, at rates fluctuating continuously under, and often much under, 5 per cent. per ann.

During those periods of time, the law fixing the maximum rate of interest at 5 per cent. per ann, had manifestly no more influence or effect in *regulating* the rate of interest in the market of England—whilst ranging at rates continually under or less than 5 per cent. per ann.—than if that maximum rate had been fixed by such law at 10 or 20 per cent. per ann.

The title of that statute, enacting that from and after the 29th September, 1714, it shall be penal to take interest at any rate above 5 per cent. per ann., is "An Act to *reduce* the rate of interest". It would not have been more irrational or untrue to have entitled it "An Act to *regulate* the rate of interest", (which can be neither regulated nor effectually controled by any human law)—than it was to entitle the said 7th and 8th of the Queen, cap. 32 (which merely enacts that after the 10th day of October, 1844, there shall be a maximum-quantity of bank-

* For the sake of brevity, Wales is frequently omitted after England in this paper, in which England is to be understood always as comprehending Wales.

notes out or in circulation in England), " An Act to *regulate* the issue of Bank-notes"—the issue of which may be prohibited, restrained, or reduced, or unnaturally extended, (as during the stoppage of payment of the Bank of England during the quarter of a century from 1797 till 1822,) but cannot be *regulated* by any legislature.

The maximum quantity of notes, payable in coin on demand,—which, under the last-mentioned Act, it was lawful for all the private and joint-stock banks in England collectively to have *out* at any time after 10 October, 1844, was 8½ millions (£8,651,338). But inasmuch as such banks collectively, since that time, have had *out* an amount of notes fluctuating always much *under* 8½ millions,—having had *out* only 7 millions (£6,843,729) during the 10 years since the year after the Act was passed and ending with 1854,—it follows demonstratively, that the law of the *maximum* imposed upon them has *never* become applicable, and therefore has been *inoperative* in *regulating*, or even in *restraining*, the issue of their notes.*

By the 2nd sect. of the same Act, the Bank of England is restrained from ever having, at any time, *out* or in circulation, more than 14 millions of notes (based upon securities belonging to the Corporation to be set apart to that amount), *plus* ANY amount of notes ultrâ 14 millions for which the Bank shall hold *gold coin*, or gold or silver *bullion*.—And it is by the 4th sect. of the Act made compulsory on the Bank† to issue its notes, in exchange for all gold bullion brought to it by anybody, at the rate of £3 : 17 : 9 an ounce standard gold.

The Act, by those provisions of it—instead of *regulating* the issue of notes by the Bank, not only causes such issue to be *most irregular;* but moreover, actually deprives the Directors of the Bank of control over the issue of its notes,—it being compulsory on them to issue notes for gold bullion, to *any amount*, at the will of importers of such bullion into the Bank,—and they being by the Act debarred of power to issue notes

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* See Appendix D.

† The Bank is, in this paper, to be understood always as standing for the Bank of England.

ultrâ 14 millions in amount, unless when in their power to find in the market, and to purchase, gold coin or gold and silver bullion for any amount of notes ultrâ 14 millions,—for which demand may exist in the circulating medium. On *an average* of the ten years, next following that in which the Act was passed and ending with 1854, the amount of notes issued and *out* of the Bank and in circulation, was 20 millions (£20,088,437). *V.* Appendix E.

In point of fact, by the operation of the Act, the Bank has been constrained to prepare for issue, notes to the amount of 28½ millions (£28,627,120) on an average of the ten years from 1845 to 1854, both inclusive; but has never been able to get its notes *out* into circulation to that amount by 8½ millions (£8,538,683) on the same average. *V.* the same Appendix.

Inasmuch, therefore, as all the private and joint-stock banks of issue in England collectively (the directors or managers of which banks, of course, *put out* as many notes as they can *keep out*) have been able to *get out*, on an average of the ten years next after that in which the Act was passed, only an amount of notes *which has been less, by more than a fourth* (·26) *part of the amount issued*, than the maximum amount of notes which by the said Act it was lawful for them to have issued and *had out;**—and inasmuch as the Bank of England has been able to get *out into circulation*, on an average of the same ten years, only an amount of its notes, *which has been less*, *by more than two-fifth* (·42) *parts of the amount issued*, than the amount of notes which by the said Act it was made lawful or imperative on the Bank to issue; † it may surely from these facts and figures be held to appear demonstratively, as herein before alleged (p. 16, *ante*), that any disturbance which there may have been in the money-market at any time since the said Act was passed, *could* not have arisen or been caused by any lack

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Out. A fourth part. The maximum.
* £6,843,729+£1,710,912=£8,554,651, which is less than £8,651,338. See Appendix D.

In circulation. Two-fifth parts. The maximum.
† £20,088,437+£8,035,374=£28,123,811, which is less than £28,627,120. See Appendix E.

of power to supply the circulating medium with paper-money, —the power of issue under the statute having never been exhausted since it was passed,—and, therefore, any law or measure—authorising or sanctioning, for remedy of such disturbance, private and joint-stock banks or the Bank of England to issue their notes, ultrâ an unexhausted power in all of them to issue their notes—would not only have been useless and inoperative of that effect, but, under the circumstances, absurd and ridiculous.

That the statute is abortive of the intent and purpose declared by the title and preamble of it, namely, "the *regulation* of the issue of Bank-notes or bills payable on demand", will further manifestly appear when it is considered—1st, that the word *issue* used in the statute does not restrain *re-issue;* 2dly, that all banks re-issue their notes payable on demand; 3rdly, that such *re-issue* is not within the purview of the statute; and 4thly, that to regulate, or even effectually to control or restrain, the re-issue of notes payable in coin on demand, by *any* statute, is impracticable.

By the law of the maximum, enacted by the statute, it was manifestly intended to limit to a fixed amount the liability which the banks of issue in England might respectively incur, or be under, at any one time, for their notes issued into and *out* in the circulating medium.

But by the "re-issue" of their notes all such banks are able to incur and do incur liabilities, by the instrumentality of such notes, far exceeding that maximum, notwithstanding the statute, and contrary to the intent of it, just as if it had never been enacted.

For instance, on the 10th July 1852, the amount of paper-money or notes of the Bank of England *out* in the circulating medium, was 23½ millions,* whereof 22 millions† had been

* £23,629,755. † £21,845,390. Parliament. Paper, No. 953, Sess. 1853, p. 6.

forced out under the compulsory provisions of the Act for the purchase of bullion; in return for the issue of which 22 millions of its notes, given out in exchange for bullion lying idle in its coffers, the Bank, of course, got no interest or profit whatsoever.

But those 22 millions of notes having been brought back to the Bank—(by public accountants, private individuals, or other parties into whose hands they had got) as deposits in account with the Bank, subject to the cheques of the depositors, payable by the Bank in coin on demand,—the Directors of the Bank, instead of keeping those 22 millions of notes locked up like the bullion in its coffers, *re-issued* the whole of them for securities carrying interest to the Bank—whereupon the Bank, by the instrumentality of those notes, became liable to pay, in coin on demand, not only 22 millions for their notes compulsorily issued for the bullion, but also to pay in coin on demand the drafts or cheques of the depositors of those 22 millions re-issued and *out* for profit to the Bank;—and, some of these re-issued notes having been again brought back and deposited in the Bank by other persons or parties subject to *their* cheques payable in coin on demand,—the Directors re-issued them a second time; and so by such re-issues held on that day, for the profit of the Bank, securities to the amount of 25½ millions.*

By the instrumentality of those 23½ millions of notes out and in circulation, although 22 millions (the whole amount minus 1½ million) had been forced out, and were out, for bullion yielding no profit to the Bank, the Bank by re-issues of them held securities yielding profit to the Bank to the amount of 25½ millions.

Again, for instance, a private or joint stock bank issues a note for £100, payable, in coin on demand, to A, on discount of a bill of exchange, or on other security given by A; which note being paid by A to B, is, by B, taken back to and deposited in account with the bank; and £100 is thereupon placed

* £25,532,006. Parliamentary paper, No. 953, Sess. 1853, p. 6.

to B's credit in account with the bank, payable to B's cheque in coin on demand. The bank re-issues the same note for £100 to C, on security given by C; which same note being paid by C to D is, by D, again taken back to and deposited in account with the bank, and £100 is thereupon placed to D's credit in account with the bank payable to D's cheque, in coin on demand; the bank re-issues the same note to E for security given by E, and so on. Upon those data it is manifest, although only one note of the bank for £100 be *out*, yet having been thrice issued, viz. to A, C, and E—that in respect, or solely by the *instrumentality*, *of that one note for* £100, and not by means of *capital*, or anyhow otherwise; the bank has incurred liability to pay £300—viz. £100 in respect of the note *out* in the hands of E, and £100 to the cheques of B and D: all in coin on demand.*

Such re-issue of paper-money, it is clear, no statute can *regulate;* and that against such re-issue, the statute in question is and must continue to be, while unrepealed, abortive. It merely establishes a maximum amount of paper-money which *may* be out in circulation in England at any one time; which maximum amount may never be out, and, in fact, never, since the passing of the Act, has been out at any one time; and yet the amount of paper-money which may be out in England at one time, multiplied by the number of times it has been re-issued, may far, or by many times, exceed such maximum amount;—re-issue of such paper-money being neither within the purview of the statute, nor susceptible of regulation, nor perhaps of control or restraint, by *any* statute whatsoever.

And here it may be noticed, that the *weekly returns* of the amount of paper-money or notes, which the Bank of England, and each and every bank of issue in England, has

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By the 3 and 4 William IV, cap. 98, the notes of the Bank of England are made legal tender in payment of the notes* of all private and joint-stock banks purporting to be payable in coin on demand—and stated in the text to be so payable. But the fact, that the notes of the Bank of England* may be lawfully tendered in payment of all other notes, is always omitted in the text, as that fact does not alter or affect the reasoning in it.

* Above £5.

out (compulsorily made under the statute, and published weekly in the *London Gazette*), are of no avail to show what is the amount of the liability incurred by each such bank to pay coin on demand by the instrumentality of its notes issued *out*, and re-issued.—*e. g.*—The Bank of Easton may have 100 thousand pounds of notes *out*, *once* issued, for which it is liable to pay 100 thousand pounds in coin on demand—while the Bank of Weston may have only the same amount of 100 thousand pounds of notes *out*, but *thrice* issued; by the sole instrumentality of which notes, therefore, and not by means of capital or any how otherwise, it has incurred liability to pay 300 thousand pounds in coin on demand.

To judge of the extent of liability, incurred by any bank, to pay coin on demand by the instrumentality of its notes—merely by the sum or amount of them at anytime *out*, leaving out all consideration of the *re-issue* of them, would therefore manifestly be delusive and fallacious.

That the statute,—although of such lofty pretension and under such ostentatious title as, " An act to regulate the issue of Bank notes" in all England,—was founded upon false theory, will appear, on weighing some of the opinions propounded by the promoter of it in the House of Commons; among which opinions he declared the five following as principles of his theory—viz.:—

First.—That there ought to be only a single bank in all England for the issue of notes or paper-money.

Secondly.—That, therefore, towards the accomplishment of that measure, all private and joint-stock banks of issue in England should be prohibited, from and after a given time, under penalty, from increasing the amount of their notes then out or in circulation—that if any bank, after that time, should cease, for any cause, to issue its notes, it should be prohibited by law from ever resuming issue of them—that the setting up any new bank of issue in England, after that given time, should be prohibited—and that any private or joint-stock bank of issue in England,

consisting of six or less than six partners, should be prohibited from continuing to issue its notes, if the partners should be increased to a greater number than six.

Thirdly.—That it should be made compulsory on the Bank of England to give out its notes, in exchange, at a certain fixed price, for *all* gold bullion, tendered by any person or persons for sale to the Bank.

Fourthly.—That the Bank should be prohibited from retaining, at anytime, silver bullion of greater amount or value than one-fourth part of the Gold-coin and bullion at such time holden by the Bank. And

Fifthly.—That whensoever an extraordinary efflux of gold by exportation to any foreign country or countries begins, the quantity of paper-money at that time existent in the circulating medium of England should, thereupon, be diminished by contraction of the issue thereof—on the assumption, that by such contraction, not only will further efflux of gold by exportation be prevented, but a reflux of it be caused, by re-importation thereof, or of other gold in its stead.

Upon the first of those opinions—it may be asked, under what, or whose power or control, would it be politic or safe, to place the management of a single bank of issue of paper-money for all England—inasmuch as the directors of such Bank might, at anytime, upon false theory, from error of judgment, from the *lucri sacra fames*—with intent to aid the designs of factious political parties in the State—or from other motives, corrupt or incorrupt—cause confusion and wide-spreading ruin, by injudicious, capricious, or arbitrary dealings with such paper-money—especially when it is considered that a sudden contraction of the *quantity* of paper-money in England, endued with the inconceivable velocity of circulation which it has acquired, must inevitably produce effects most disastrous, and, to many, fatal.

Even the Directors of the Bank of England, although possessed by law of powers and privileges incomparably

less than would be possessed by a single bank of issue for all England, have assumed, on the potency of the great monopoly, granted by charter and by law to the corporation, to play the part of politicians—and to have influence over the resources and power of this mighty nation.

For example—" At an interview with the Chancellor of " the Exchequer on the 23rd October, 1795, the Governor of " the Bank mentioned his having heard, that there might be " annexed to the ensuing loan, one of £1,400,000 for the " Emperor of Germany. The Chancellor of the Exchequer " replied, that he had not, at present, the most distant idea of " it—though he did not pledge himself, that, on no occason, " such a thing should happen. The Governor thanked him " for his communication, which he told *Mr. Pitt*, he received " with pleasure, thinking, as he did, *that another loan of that* " *sort would go nigh to ruin the country*."*

Again.—In a memorial of the Court of Directors to the Government, dated 28th July, 1796, it is declared—" That the " *Court of Directors of the Bank* are very willing and desirous " to do everything in their power, to SUPPORT *the* NATIONAL " CREDIT, and to ENABLE *his Majesty's Ministers* to carry on the " *public service*." †

The *whole* capital of the Corporation, at those times, was 11½ millions (£11,686,800); and the Public expenditure in the years 1795 and 1796 averaged 37 millions *a-year*‡—and, in less than a year after the last-mentioned flourish of its paper-trumpet, the *Bank stopt payment*, and continued under stoppage of payment for a quarter of a century thereafter.

Absurd and ridiculous as such pretensions were; they were founded in power over the *quantity* of paper-money in the circulating-medium of England, which (considering such pretensions so founded) it may surely be said, ought never to have been committed or entrusted to the Bank; and ought never

* Report of the Committee of Secrecy of the House of Lords on the Order in Council of the 26th February, 1797, relative to the Bank. Paper No. 8.

† Same Report. Paper, No. 21.

‡ £37,013,865. Parliamentary-paper No. 234, Sess. 1824.

to be committed or entrusted to any trading Joint Stock Company, only for its own profit; nor, upon *any* terms, to any person, body corporate or politic, power or authority whatsoever, in a well governed State.

Happily, it was far beyond the power of the Prime-Minister of 1844, and his cabinet and party, to have carried such a measure through Parliament—For to have *then* established by law, that there should be, in all England, only a single bank for the issue of paper-money—it would have been necessary, by such law, arbitrarily to have extinguished the power of issuing their notes possessed by the 270 private or Joint Stock banks then existent—and to have constrained all of them, to call in and suppress such notes then out or in circulation, to the amount of 8½ millions.*

THE SECOND OF THOSE OPINIONS was embodied in the statute, as far as practicable—1st, by the prohibition of the setting up *any* new bank of issue in England at anytime after 6th of May, 1844. 2dly, by the limitation of the issues of the then existing banks of issue to a maximum amount of 8½ millions* after 10th of October, 1844. 3dly, by the prohibition of any bank, ceasing for any cause to issue its notes after the passing of the Act, (19th July, 1844) from ever resuming such issue, and—4thly, by the prohibition of any bank of issue, consisting of only *six* partners, or of a less number than *six*, from continuing to issue its notes, if the number of partners therein should exceed *six*.

Those provisions were inserted in the Act, avowedly, in furtherance of the first opinion, and in the hope, that at some future day, by the operation of those provisions, it might become practicable to establish a single bank in all England for the issue of paper-money. And further to promote the extinction of the issue of notes by private and Joint Stock banks of issue in England—the Bank is, by the 24th section of the Act, empowered to compound with any such bank, for ceasing to issue its own notes, and to supply it for issue, with notes of the Bank, instead of its own notes called in.

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* £8,651,338. See Appendix D, p. vi.

Upon those provisions of the statute many reflections arise, which it must be presumed did not occur to the Legislature. For the prohibition by the statute of setting up in England any new bank of issue after the 6th of May 1844, was not only a violation of *liberty*, by interdiction of all the subjects of the Crown from embarking in England in a profitable and beneficial business or calling; but, moreover secured, to the persons who were partners in the 270 banks of issue, existent in England on that day, their executors, administrators, assigns, or successors, a *monopoly* of the issue of paper-money in the several localities of their banks—to the exclusion of all other their fellow-subjects. All such persons, therefore, instead of opposing such a measure, unjust and impolitic as it was, too naturally supported it, as securing enormous, however undue, *exclusive* privileges, profits, and benefit to *themselves*—while, at the same time, their fellow-subjects could not, from the nature of the case, form any combination to oppose the measure, on the ground of their interest personally; nor was there any one to oppose it, except upon general principles.

In the reigns of Elizabeth, of the first James, and of the first Charles, when monopolies were rife, and enforced by the Star-Chamber—the whole number, existing at any one time, was probably small, compared with the host created by the statute in question—whereby 270 monopolies of the issue of paper-money were created, at a stroke, and one or more of such monopolies consequently now exists or exist, in every City, and almost in every Town, in England.

And such monopolies, each with power of issue of paper-money, *limited and restricted to a maximum in amount*, were created —regardless of any change whatsoever of circumstances, in their several localities, as, for instance,—the increase of population, wealth, or trade, of any City or Town and its neighbourhood, which might be such, as to make paper-money requisite of double, or more than double, the amount of the *maximum* of the issues of the bank or banks enjoying the monopoly of the issue of paper-money in that locality.

But how the erection and establishment of such a host of

monopolies of a profitable trade will lead to the extinguishment of it in places where it is carried on—which extinguishment was the avowed object and intent of the author or authors of the statute to effect by these enactments of it—it is not easy to discern or to divine.

The Bank of England has taken advantage of establishing branches of itself, wherever it has been found profitable or expedient so to do—the proprietors of the Bank having the power, denied to all other subjects of the Crown, of establishing branch-banks of issue in any city, town, or place whatsoever in England.

By the Parliamentary-paper, No. 70, Sess. 1855, it appears that of the 270 banks of issue existent on 6 May, 1844, 46 had on the 5th February last (1855) ceased to issue their own notes. That paper does not show at what time, or wherefore, those 46 banks severally came to that determination. But it thereby appears that the issues—fixed by the statute—of 22 of the 46 were under 10 thousand pounds each,—of 16 more of them, under 20 thousand pounds each,—of 5 more of them, under 32 thousand pounds each,—and of the other two (making the 46) were under 90 thousand pounds each,—the *fixed issues* of the whole 46 being 700 thousand ponnds (£705,062)—their *circulation* being, probably, very much less than that sum; inasmuch as the *circulation* of the other 224 (270–46) continuing banks collectively, has always been under the amount of their *fixed issues.*

Some few of those 46 banks became bankrupt or ceased to exist—and some of them have ceased to issue their notes, upon composition, under the statute, with the Bank, accepted in consideration of their issuing the notes of the Bank, instead of their own notes.

The concluding clause of the second opinion embodied in the 11th section of the Act, prohibiting any bank of issue consisting of six or less than six partners on the 6 May, 1844, from continuing to issue its notes if the number of partners should exceed six, it is difficult to treat of temperately.

Under that proviso, any bank of issue consisting of *seven* or more partners at the time of the passing of the Act (19th

July, 1844), is left at liberty to take in any greater number of partners—700 if they please,—while any bank of issue then consisting of only *six* partners, is prohibited from taking in *a seventh*, under penalty of forfeiting the right lawfully to continue to issue its notes. But why *six* partners should be so debarred, rather than 3, 5, 7, or 9, or any other number, no *reason* can be even imagined,—the number *six* was fixed by the whim, caprice, or fantasy of the author or authors of the statute. And the limitation to *six* partners in a bank of issue was the more capricious, because it was unnecessary for the purposes of the Act; and debarred the holders of the notes of such bank from ever acquiring better security for such notes. For the notes to be issued by any such bank *being fixed by the Act to a maximum amount*—what rational ground, it may be asked, can be assigned or imagined, why the notes, composing that maximum amount, should not be made more secure to the holders of them, by the addition of one, ten, or twenty, or any number of partners, to the six composing such bank.

Upon the third of those opinions—The Bank, after being, by the 2nd section of the Act, prohibited from having, *out* or in circulation, notes to a larger amount than 14 millions based upon certain securities—except on condition of having in its coffers gold coin or gold and silver bullion to the amount of any and all notes ultra 14 millions, which may at any time be *out* of the Bank and *in circulation*—is, by the 4th section, bound, after the 31st August, 1844, to give out its notes to all persons who shall demand them for gold-bullion of standard fineness, at the rate of £3 : 17 : 9 an ounce—£3 : 17 : 10½ an ounce being what is called the " Mint price" of such gold.*

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* *Price*, according to Dr. Johnson, means, " equivalent paid for anything", or, " rate at which anything is sold"; in which senses, there is no "*Mint-price*" of gold. Gold, taken to the Mint to be coined, is there assayed, converted by alloy into gold of standard fineness, and then coined into pieces, every pound Troy-weight whereof is of the value of £46 : 14 : 6 (formerly 44½ guineas). Every *ounce* Troy-weight of such coin is consequently of the value of £3 : 17 : 10½, which has obtained the name of the "*Mint-price*" of gold.

But why that sum is called the *Mint-price* of gold, it is not easy to see —for the Crown (*i. e.* the State or Public), the owner of the Mint, instead

But why the amount of notes, based upon securities, was limited by the Act to *fourteen* rather than any other number of millions—no reason was given, because none existed. It was merely the whim or fancy of the author or authors of the Act to fix upon the number *fourteen.*

Among the effects of the indulgence of that whim—the following, to which the Bank and the public have been exposed, are surely very striking;—

It appears by Appendix E that the amount of notes of the Bank, *out* and in circulation, on an average of the first ten years after the Bill was passed ending with 1854, was 20 millions(£20,088,437)—which *supply* of notes by the Bank must therefore be holden, as the supply which was required, to meet the *demand* for them, in the circulating medium of England.

By the Act—it was made imperative on the Bank—having 20 millions of notes *out or in circulation*, during those ten years —to have *always* in its coffers, during the same time, never less than *six* millions (20-14=6) of gold coin, or of gold and silver bullion.

If such *six* millions of coin or bullion had been reduced to *one* million, by gold-coin being drawn out of the Bank—the supply of its notes, *out* or in circulation, *must* have been reduced and contracted from 20 to 15 millions (14+1=15), notwithstanding the existence of a demand, in the circulating medium, for 20 millions of such notes.

The consequences and probable effects of such a contrac-

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of receiving any "equivalent" for the coinage, converts gold-bullion into coin, without any consideration whatsoever for the operation; at enormous expense and loss. For, all gold, taken to the Mint to be coined, is there weighed, submitted to the delicate process of assay, melted, alloyed to standard fineness, and converted into coin at the expense and loss of the public.

For every quantity of gold-bullion, containing *eleven* ounces Troy-weight of pure gold, imported into the Mint to be coined, the importer receives back *twelve* ounces, *i. e.* a pound Troy-weight of coin of standard fineness, containing *eleven* ounces of pure gold and *one* ounce of alloy—not merely without any charge for assaying, melting, alloying, and coining the bullion, or for weighing it in and out of the Mint, or telling the coin—but with a present made to him, moreover, of the "alloy" (a *twelfth part* of the weight of the coin) mixed at the Mint with the gold to harden it.

tion of the notes *out* of the Bank, *i. e.* of the circulating medium of England, especially if made suddenly, (and great drains of gold coin from the Bank are usually so made) to the banking, mercantile, and trading members of the community, it is needless to expatiate upon.

The reduction of the amount of coin and bullion in the Bank to a single million, which *has* happened,* is not likely to recur. But if such reduction to *one* million were to take place—the Directors of the Bank if *unrestricted* by law in the *management* of it, could, under usual and ordinary circumstances, supply and keep *out* in circulation 20 millions of its notes (to meet an existing demand for that amount of them in the circulating medium), with the aid of *less than one million* of gold and silver coin.

That being the case, the provisions of the statute—which effects, that should the gold coin or gold and silver bullion in the Bank become reduced to *one* million, the notes of the Bank *out* and in circulation must, in that case, be reduced to *fifteen* millions (14+1=15), notwithstanding a demand for 20 millions of them in the circulating medium of England—have, amongst other effects, manifestly that of ensuring—that if there shall be a scarcity of *gold coin* in England—there shall be at the same time a scarcity of *paper-money* also.

That the Bank *can* circulate 20 millions of its notes, with the aid of less than *one* million of coin, is demonstratively proved by the fact, that the Bank, for the ten years next following that in which the Act was passed *(panics notwithstanding* during that time), has, actually and in fact, kept out and in circulation notes amounting to 20 millions (£20,088,437) with the aid of less than *two-thirds of a million* (£647,939) of gold and silver coin, on an average, during that time (see Appendix E). And the Directors of the Bank—being by the 2nd section of the Act required to retain in the banking-department thereof

* In February 1797, when the Bank stopped payment, the amount of cash and bullion in its coffers was reduced to one million (£1,086,170). Parliamentary Paper, No. 580, Sess. 1842.

on the 31st day of August, 1844, as much gold and silver coin as was, in their opinion, necessary to be retained for the requirements of that department—retained therein the sum of less than 900 thousand pounds (£857,705),* and, that that sum was more than a sufficient sum for such requirement, is demonstratively proved by the fact, just hereinbefore stated—viz.—that on an average of the ten years next following that in which the Act was passed, less than 650 thousand pounds (£647,939) have sufficed for that requirement.

It seems, at first sight, surprising, that so *large an amount* of notes as 20 millions (£20,088,437)† should have been, as they were, always *out* of the Bank, and *kept out* in circulation, during the ten years ending with 1854, with the reserve, on an average during the same ten years, of so *small an amount* as 650 thousand pounds (£647,939)† of *gold and silver coin.*

But, that surprise ceases, when it is considered, that those 20 millions of notes could not and would not have been *always out* or in circulation, during that time, had there not existed an unceasing demand for that amount of them *in* the circulating medium. Such demand existing, no quantity of such notes *could* be brought to the Bank for payment in coin, without subtraction from the *supply* necessary to meet such demand —and therefore any part of the requisite *supply* of notes, brought to the Bank for payment in coin, would immediately flow out of it again to re-supply the existent *demand* for them.‡

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* Parliamentary Paper, No. 20, Sess. 1850.

† Appendix E, p. viii.

‡ The fluctuation, from week to week, of the amount of the reserve of gold and silver coin in the Bank—to meet demands by such cheques of its customers, as are required to be paid in coin, and to pay all such dividends on the Stocks or other charge of the Public-debt as are required to be so paid (and all fractional sums under five pounds *must* be paid by the Bank in coin)—may be seen, by looking down the column in the weekly returns of the Bank,[a] which shows the amount of gold and silver coin in the banking department—whereby it appears, that such fluctuation from week to week is from 50 to 150 thousand pounds, very rarely exceeding 150 thousand, and, for the most part, not amounting to nearly 50 thousand pounds.

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[a] Collected in the Parliamentary Papers, No. 70, Sess. 1850; No. 953, Sess. 1853; and No. 173, Sess. 1855.

The sums, *de die in diem*, continually flowing into and being drawn out of the Bank (necessarily almost all in notes of the Bank), on the accounts of public and private depositors—left *always*, on an average of the ten years since the Act was passed ending with 1854, an amount of 17 millions (£16,840,256) *in* the Bank, at the credit of the accounts of and due to those depositors collectively.*

But although, upon an average of those ten years, the Bank was able, by the *re-issue* of those deposited notes and otherwise, to circulate and keep out (for during that time it did circulate and keep out) 20 millions of its notes, with the aid of a reserve of less than 650 thousand pounds (£647,939) of gold and silver coin—yet it would seem more than *expedient*, that *some* reserve of gold coin ultrâ that amount, should always be possessed by the Bank, to meet a *run* upon it for gold coin, in the event of such a *run*.

In times past, such a *run* has sometimes taken place, but is not likely *ever* to recur; and it was boasted in the House of Commons, by the promoter of the Act, that one effect of it would be to prevent *runs* or a *run* upon the Bank.

The Bank being a creature *merely of credit*—the state of its affairs published weekly in the *London Gazette*, as required by the Act, certainly tends to prevent a *run* upon it. Its dealings are confined to dealings with the circulating medium—it having no disposable capital—the whole of its capital being deposited with or advanced to the public.†

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* Parliamentary papers, No. 70, Sess. 1850; No. 953, Sess. 1853; and No. 173, Sess. 1855.

† By the weekly returns of the Bank it appears, that besides the capital of 11 millions (£11,015,100) deposited with the Public, for which the Bank receives interest from the Public at 3 per cent. per ann.—the Proprietors of the Bank possess a capital of 3½ millions (£3,537,900). But the Bank in the year 1823 agreed to give out, and afterwards gave out, to the Government 13 millions (£13,089,419) of its notes *irrevocable* from the Government (under 4 Geo. IV. cap. 22) for an *annuity* to the Bank of £585,740 (called the *dead-weight* annuity) for a term of 44 years, of which 11 will be unexpired on the 5th of April next (1856)—The value of that annuity on that day, reckoning interest at 3 per cent, is 5½ millions, (£5,419,618) which exceeds the capital of the Proprietors not deposited with the Public by 2 millions (£1,881,718). The

The security of the creditors of the Bank, and of the holders of its notes, depends, therefore, on the solvency of the Nation in respect of its public-debt, of which the capital of the Bank is an item or part.

The Bank, by mismanagement of its affairs, might or may become insolvent, the Public continuing solvent. But if the Public were to become insolvent, the ruin of the Bank would be an inevitable consequence—happily not at present imminent.

But the recurrence of a *run* upon the Bank need not now to be apprehended; for such *run* is, in great measure, secured against—not by any of the boasted provisions of the Act under discussion (for those provisions many of them tend rather to cause, than to prevent, such *run*)—but by the effect of the provision, made ten years before that Act was passed, —by the 3rd and 4th William IV, cap. 98, whereby it is enacted—" That after 1st August, 1834, a tender of the notes " of the Bank of England payable to bearer on demand, " shall be taken to be valid, as a tender for all sums above " five pounds, on all occasions on which any tender of money " may be lawfully made; so long as the Bank shall con- " tinue to pay on demand their said notes in legal coin."

Such provision making notes of the Bank legal tender in payment, not only of all debts, rents, etc., but in payment also of *all taxes and duties and of all the public revenue*, manifestly

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Bank, therefore, instead of having any *disposable capital*, may be said,— " *Hibernicè*", to have 2 millions *less than none*. The value of that annuity in present money (how calculated does not appear) is included in the weekly returns of the Bank, as part of its *assets* invested in *public securities*.

Such returns of the Bank have for many years shown a sum of undivided profits, called " the Rest", exceeding, on an average, 3 millions—but *profits*, divisible any day among the proprietors of the Bank, are not *capital*.

Were a private or joint stock bank to sink the whole of its capital in a loan at interest of 3 per cent. per ann. for a term of years, determinable only at the pleasure of the borrower—and *then*, with *money of its customers*, to purchase a large annuity for the partnership, for a term of 44 years—such a course of proceeding would be justly called insane, and dishonest. And why a course of proceeding which would be insane and dishonest, if practised by a private or joint stock bank, should be deemed wise and honest, when practised by the Corporation of the Bank, it is not easy to discern.

and palpably makes the notes of the Bank a State-paper-money, for all payments of ten pounds and upwards, to all intents and purposes.

The public revenue having, for a long time during peace, exceeded 50 millions a-year—and the notes of the Bank *out* or in circulation having never—since the cessation in the year 1822 of its stoppage of payment during the quarter of a century then preceding—amounted to *half that sum*,—it is manifest, that all the notes of the Bank might have been, and now might be absorbed, by payment therewith of less than a single half-year's public revenue.

Except in the very improbable event of invasion by a foreign enemy (an event happily very improbable)—when hoards of gold coin might be desirable—there can be no reason why the holder of a note of the Bank for ten pounds, or a larger sum, should present it there for conversion into coin—(which is much less portable, safe, and convenient than a note)—whilst such note is legal tender for all his debts and taxes. A *run* upon the Bank for gold coin is therefore little to be feared, the validity of its notes being, virtually, guaranteed by the Public. Whether the Bank have given to the Public a full or fair consideration for such guarantee, is a different question.

Any *reason* for the provision, by the 4th section of the Act, making it compulsory on the Bank to give out its notes for *all* gold bullion tendered for sale to it at the price of £3 : 17 : 9 an ounce, it is not within the grasp of a common understanding to conjecture—any more than if, by the statute, it had been made compulsory on the Bank to give out its notes in exchange, at a fixed price, for *all* silver, copper, or other metal, which any person might tender for sale to it.

A reserve being made of a quantity of gold and silver coin—sufficient for the circulation of the notes of the Bank (a quantity ascertained upon long experience, and which, on

the average of the ten years next succeeding that in which the Act was passed, ending with 1854, was less than 650 thousand pounds (£647,939, *v.* Appendix E), *plus* such quantity of gold coin as the directors should, from time to time, think necessary to be retained, to provide against the danger of a run upon the Bank for gold coin—any quantity of gold coin or bullion, ultra that reserve, is a mere dead-weight upon the Bank — the bullion causing danger and loss to it, without benefit to *any one whomsoever.*

For *gold bullion* is of so little, that it may be said to be of no avail for payment of the notes of the Bank, to meet a run upon it for *gold coin.*

If all the *bullion* in the world could be contained in, and lay, in the coffers of the Bank—it would be of little avail to pay its notes, in the event of a run upon it. For gold *bullion* must be converted into *coin*, before it can be made available for *any* payment; and the Mint, working day and night, cannot return gold coin for bullion, faster than at the rate of a *million a-week.*

The marvellous provision of the Act, by which it is made compulsory on the Bank, to buy *all gold bullion* tendered to it for sale, exposes the Bank to no slight danger of *stopping payment*, although it has not *yet* had an effect so calamitous.

No importer of gold bullion will take it to the Mint to be coined at £3 : 17 : 10½ an ounce, when he can, *by law*, constrain the Bank to buy it from him at £3 : 17 : 9 an ounce—the difference of *three halfpence* an ounce, being equivalent to interest on £3 : 17 : 9 for only 10 days at 4 per cent. per ann.; while the Mint requires possession of bullion for much longer time than 10 days, before giving it back in coin.

Vendors of gold *bullion* to the Bank—having, at one counter of it, received notes for their *bullion*—can, the next moment, at another counter of it, demand and *must be paid* gold *coin* for such notes—and their demand might be such as to cause a stoppage of payment by the Bank of its notes. And that the danger of such stoppage, so caused, is not imaginary, appears demonstratively from the following facts and figures—viz :

On the 1st of January, 1853—the Bank had in its coffers 20 millions (£19,994,851)* of gold coin and *bullion*, whereof only *three millions* (£3,123,924) were *British gold coin*†—therefore, if the Bank had then been forced, under the statute, to give out its notes for a little more than 3 other millions, for gold bullion, and payment of such notes *in coin* had been demanded instanter—or if, for *any* cause, payment in coin had then been demanded for a little more than 3 millions (£3,123,924) of its notes—the Bank evidently must have stopt payment.

A hoard of gold bullion in the Bank, has been deemed by some politicians, and perhaps was by the framer or framers of the Act, deemed *expedient*—as a means of securing a supply of *coin* for the PUBLIC SERVICE.

Such an opinion seems preposterous, at the first blush; for it assumes that the Corporation of the Bank (composed of about 2,500 individuals, many of them foreigners, widows, spinsters, and trustees for orphan minors, idiots, lunatics, and other incapacitated persons)‡ might be a *support* of the *Public*, as was dreamt by the Governor and Directors of the Bank in the years 1795 and 1796 (v. p. 25, *ante*).

If any one now entertain so strange a fancy—it cannot fail of being dispelled, on consideration of the following facts—viz:—An Order in Council was made on 27th of February 1797, prohibiting the Bank, from and after that day, from making further payments in coin; and the reason, assigned in the Order, for its being made was—"*the apprehension of a want* "*of a sufficient supply of* CASH *to answer the exigencies of the* "PUBLIC SERVICE."

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* Parliamentary Paper, No. 953, Sess. 1853, p. 6.

† Do. No. 118, „ 1853, p. 3.

‡ The capital of the Bank deposited with the Public is now, in 1856, 11 millions (£11,015, 100). In the year 1798 it was 11⅔ millions (11,686,800), and "there were *then* about 2,500 proprietors of Bank-stock, of whom about "400 or 500 were foreigners, residing at Amsterdam, Rotterdam, Antwerp, "Brussels, Frankfort, Switzerland, Genoa, and other places abroad—about "260 were widows—and 330 spinsters,"[a] making collectively about 1,000 of those 2,500 persons or parties.

[a] "Address to the proprietors of the Bank of England," by A. Allardyce, M.P., one of the Proprietors of the Bank. 3rd. edit., 1798, note, p. 12.

The Bank, on the authority of that Order, stopt payment on that day, and the cash and bullion then in its coffers was the sum of ONE MILLION, £1,086,170.

But, during the 25 years which elapsed between the years 1797 and 1822—during which time the stoppage of payment of the Bank continued—there were wanted *for the exigencies of the public service*, upon an average, more than 70 millions a-year; in some of those years more than 100 *millions within the year*—and an amount in the whole of *nearly two thousand millions*—which was all found and provided, *without the aid of that one million* OF CASH (£1,086,170), which, had it been resorted to, would not have defrayed the public expenditure for *four days* in some of those years, in some of which the *whole capital of the Bank* would not have defrayed that expenditure for *forty-four days*. And, therefore, the reason assigned, in that Order in Council, for the stoppage of payment of the Bank—if it were not a mere pretext—and 'tis more than difficult to believe that it was not —betrayed the most profound ignorance of the properties and powers of the circulating medium, and of the principles upon which the *banking system* is founded, and ought to be conducted.

The national loss and distress which that stoppage of payment inflicted and has entailed, and the great wrong and injury which it caused to a multitude of individuals, may too truly be said to be incalculable. But as the ills inflicted by it are, alas! irreparable, it is useless to descant upon them.*

* The stoppage of payment of the Bank on 25th of February, 1797, was, unquestionably, caused, in consequence of the Directors of it having, imprudently and unjustifiably *given out* great quantities of its notes, on loans to Government on security of the Land and Malt-taxes, Treasury-bills, etc. pledged to the Bank.

On that day the Government was indebted to the Bank for such loans 10½ millions, (£10,672,490)[a] a sum exceeding by *two millions* the whole amount of the notes of the Bank then *out*, which was 8½ millions (£8,640,250.)[a]

There being then a *run* upon the Bank—and the Government being unable to repay instanter, in notes or in coin, that debt, or any considerable part of it—stoppage of payment of the Bank was thought inevitable—and, a pretext for it being first proclaimed by the Order in Council cited in the text—it was made.

The Directors of the Bank had nevertheless the effrontery to RESOLVE at a

[a] Report of the Lords' Committee of Secrecy relating to the Bank, 27th April, 1797, pp. 75,92, 96.

That the compulsion of the Bank, by the Act, to give out its notes in exchange for *all* gold bullion tendered to it for sale, causes *danger of stoppage of payment* of the Bank, with benefit to nobody except the vendors to it of gold bullion, seems to be proved by what has been stated. And that such compulsion causes *loss* to the Bank, both directly, and by curtailment of profit, becomes manifest, when it is considered—that the cost

Court holden by them on the 25th of March, 1819, "That the restriction of "Cash payments by the Bank was *altogether* a measure of *State-necessity*."[a]

But the Bank, in the year 1825, having become in danger of again stopping payment—in consequence of the Directors having insanely given out 13 millions of its notes for the *annuity* of £585,740 to the Bank, mentioned in note †, p. 33, *ante*—in the minutes of evidence given by Jeremiah Harman, a Director of the Bank, before the Committee of Secrecy of the House of Commons on the Bank of England Charter,[b] there is the following, viz:—

Question 2214.	Were the Bank placed in great danger in the month of December 1825, in consequence of a short supply of Bullion?
Answer.	No question about it.
Question 2224.	Did any communication take place between the Bank and the Government respecting an Order in Council to restrain payment in gold at that period?
Answer.	Yes. *It was suggested by the Bank.*
Question 2225.	What answer did His Majesty's Government give to that?
Answer.	They resisted it from first to last.

N. B. It may be seen by the Account No. 29, p. 38, in the Appendix to the last-mentioned Report, that in the 25 years between 1797 and 1822, *during all which time the Bank was under stoppage of payment*—there were divided among the Proprietors of the Bank *extra* profits amounting in the whole to more than 14 millions (£14,174,622) *ultrà* dividends on their Stock of 7 per cent. per ann., from 1797 till 1816, and thereafter of 10 per cent per ann.

Those *extra profits* made by the Bank in 25 years, exceeded in amount the whole capital of the Bank carrying dividend, which, in 1797, was 11⅔ millions (£11,642,400), on which 14 millions make more than 120 per cent.

Is it, it may be asked, uncharitable to imagine, that the *suggestion of the Bank* in 1825, for another *stoppage of payment*, might have been founded, on recollection of those enormous and most undue profits, made *during its previous stoppage of payment*, terminated only *three years previously*, viz., in 1822.

[a] Second Report of the Committee of Secrecy of the House of Commons, 6 May, 1819, on the Expediency of the Bank resuming Cash-payments, p. 262.

[b] Report of that Committee, 11th of August, 1832, p. 154.

of the paper, printing or engraving, keeping account of, and managing the circulation of, an amount of 10 or 15 or more millions of notes, given out in exchange for gold bullion not wanted by the Bank, is *direct loss*—and, that the forced issue of such notes, yielding no profit to the Bank while *out* for gold bullion lying idle in its coffers, curtails the amount of its notes, which the Bank, free from that forced issue, could put out for its profit; *e. g.*, on the 10th July 1852, the notes *out* of the Bank in circulation were in amount 23½ millions (£23,629,755)* whereof 22 millions (£21,845,390),* yielding no profit to the Bank, had been *forced* out of it for gold bullion.

How the Bank made profit by the *re-issue* of those and other its notes has been shown (p. 21, *ante*). And it is obvious—if 5 or 10 or more of those 22 millions of gold bullion had been withdrawn from the Bank—whereupon 5 or 10 or more millions of the 23½ millions of notes then *out* must have been brought back to the Bank—that such 5 or 10 or more millions of notes might, and no doubt would, have been immediately *re-issued* for profit to the Bank—which *re-issue*, of course, would have only kept up the amount of *notes out* at 23½ millions, and not increased that amount by a single note.

THE FOURTH OF THOSE OPINIONS (v. p. 24 *ante*) is embodied in the Act, by the 3rd section of it; by which, after reciting "that "it IS NECESSARY *to limit the amount of Silver bullion* on which it "shall be lawful for the Bank to issue Bank of England notes"— it is enacted—"that it shall not be lawful for the Bank of Eng- "land to retain, at any one time, an amount of silver bullion "exceeding *one-fourth part* of the gold coin and bullion at "such time held by the Bank."

That *opinion* is so wildly fantastic—that it is inconceivable upon what *ground* the Legislature consented to embody it in the Act.

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* *Vide* page 20 *ante,* note *.

By the 5th of William and Mary, cap. 20, passed in the year 1694, authorizing the grant by the Crown of its charter to the Bank—it is *made lawful* for the Corporation "to buy "and sell bullion, gold and silver"—leaving it discretionary in the Directors, to buy and sell such bullion in such quantities as they should think fit, or for the interest of the Bank, to buy and sell. And such continued to be the law for a century and a half, until 1844—when by the Act, now under discussion, the discretionary powers of the Directors of the Bank in dealings with gold and silver bullion were annulled—and it was made *compulsory* upon them to give out the notes of the Bank for ALL *gold bullion* tendered to them for sale—and they were prohibited from retaining *silver bullion* exceeding a *fourth part** of the gold coin and bullion at any one time held by the Bank.

Any *reason* why the Bank should be prohibited from buying *any* quantity of silver bullion under the power granted by the Act of 1694, by the sale of which profit could be made by the Bank, it is not easy to imagine. But any reason why the Bank should be restricted from buying and retaining silver bullion, ultrâ exactly the *fourth* or any *given part* in value of the gold coin and bullion at any time held by the Bank, seems *inconceivable*, by any person only of *common* understanding.

On the 1st January, 1853, the Bank had in its coffers 20 millions (£20,014,005)† of gold coin and gold and silver bullion. Suppose the same to have been holden in the proportion limited by the statute, viz., 16 millions of gold and 4 millions (a fourth part of 16) of silver—suppose further, that 8 millions of the gold had been drawn out of the Bank, whereupon the proportion of the whole bullion in the Bank would have become 8 millions of gold to 4 millions of silver—*i. e.* silver of *half* instead of a *quarter* in value of the gold;—the Bank would, in that case, have become holder of 2 millions of

* Meaning, it must be presumed, a fourth part, not in *weight*, but in *value*.

† Parliamentary Paper, No. 953, Sess. 1853.

silver in violation of the Act. What, it may be asked, would the Bank, in that case, have done, to get rid of the 2 millions worth of silver which it would have had *unlawfully* remaining in its coffers or vaults?

Silver, in *coin*, is not lawful tender for sums exceeding *forty shillings*;* and silver *bullion* is not saleable in the market as copper or iron is—especially not 2 millions worth of silver bullion at once. How, it may be asked, would the Bank have acted in such a dilemma? It is hardly to be imagined that the Directors, in order to extricate the Corporation from it, would have thrown two millions worth of silver out of the vaults of the Bank into Threadneedle Street or Lothbury.

But *one* effect of the provision of the statute—which prohibits the Bank from holding silver bullion exceeding one-fourth part (in value) of the gold coin and bullion at any time held by it—manifestly is, that if there shall be a scarcity of gold coin and bullion, in consequence of gold coin being drawn out of the Bank—there shall at the same time be a *scarcity of silver bullion also*, by the constraint upon the Bank to pour out of it the silver bullion, whenever it exceeds a fourth part (in value) of the gold coin and bullion in its coffers, to how little soever that may be reduced.

But the most striking proof, that the NECESSITY, alleged by the 3rd sect. of the Act to be existent—for limiting the amount of silver bullion to be at any one time retained by the Bank—existed only in the transcendental theory of the framer or framers of the Act, is—that at the time when it came into operation, the Bank did not possess, and never, since it was passed, has possessed, silver bullion at any one time amounting, or nearly amounting, to a *fourth-part* of the value of the gold coin and bullion in its coffers—that from October 1850 till August 1852, it did not hold so much as 50 thousand pounds worth of silver bullion;†—from August 1852 to August 1853, not so much as 20 thousand pounds worth;†—and since August 1853 down to the time present (January 1856) has *not possessed a single ounce* of such bullion†—and therefore

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* 56 George III, cap. 68, sec. 12.

† Parliamentary Papers, No. 953, Sess. 1853, and No. 173, Sess. 1855.

the *limitation by the Act* of the amount of silver bullion to be retained at any one time by the Bank to *one-fourth part* in value of the gold coin and bullion at the same time held by it—*never* having been, in any way or at any time, applicable or operative—might just as well, for any *effective purpose*, since the Act has been law, have been fixed at *half* or *double* the amount, *or any multiple*, of the value of the gold coin and bullion at any time held by the Bank.

THE FIFTH OF THOSE OPINIONS (v. p. 24 *ante*) was declared in the House of Commons, by the promoter of the Act, by this proposition—" If we admit the principle of a metallic " standard, and admit, that the paper-currency ought to be " regulated by immediate reference to *foreign exchanges*—that " there ought to be *early contractions of paper on the efflux of* " *gold*—we might, I think, infer, from *reasoning* without the " aid of *experience*, that an unlimited competition with respect " to issue will not afford security for the proper regulation of " the paper money."*

" Efflux of gold " in that proposition must surely be understood to mean " efflux of *gold coin* "—because, while paper-money and *gold-coin* are existent in full supply of the demand for them respectively in the circulating medium, it is manifest, that the efflux and influx of *gold bullion*, by exportation and importation to and from foreign countries, can have no effect upon *such circulating medium*, any more, than the efflux and influx of mercury, platina, copper, or any other metal.

To admit the postulatum in that proposition—that the quantity of " the paper currency" in the circulating medium " ought to be regulated by immediate reference to foreign exchanges"—would be to admit, that the supply of " paper currency", to the people of the United Kingdom, " ought to be regulated "—not by the demand for it in *their* circulating medium—but by the demand of *foreign countries* for gold.

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* Hansard, vol. lxxiv, p. 735.

And to admit the corollary, drawn in the proposition from that postulatum, namely—" That there ought to be early" or any " contractions of paper currency on the efflux of gold coin" —would be to admit—that should a scarcity of *gold coin* arise, from efflux of part of it—from the circulating medium of England, to supply demand for gold in a foreign country, there ought thereupon to be created—by contraction, " early contraction", of the quantity of " paper currency" then existent in the same circulating medium—a scarcity of *paper-money* also.

Reason and experience, which are appealed to in the proposition as confirmatory of the truth of it—teach exactly the reverse.

For *reason* naturally suggests—that if from any cause, there arise a scarcity of *gold coin* in the circulating medium—the deficiency should, as far as practicable, be supplied, by *extension*, " early extension", of the quantity of *paper currency* in it—and not that the inconveniences of a deficiency of *gold coin* should be aggravated, by *creating* a deficiency of *paper money* at the same time.

And that *experience* confirms what *reason* suggests upon the subject, may be gathered from unquestionable evidence laboriously collected, in voluminous Reports upon that subject by Committees of both Houses of Parliament.

In those Reports a tide of consentaneous testimony is given by Country Bankers, that the issue of *their* paper-money is in nowise " regulated by reference to *foreign exchanges*"—that they pay no regard to them, because they know, by *experience*, that the state of foreign exchanges, or the exportations or importations of gold to or from foreign countries, in nowise affect the circulation of *their* paper money.

The paper money of country banks circulates, that of each, only within a limited district, out of which, though it may occasionally be *used*, it is not *current*. A note of a bank of York is not *current* in Exeter, nor a note of a bank of Exeter in York.

The circulation of the paper-money of such banks is local

—and their notes are kept out by dissemination of them by the customers of each bank, whose connexion with the Bank is personal.

Such banks must have always in reserve a stock of *coin*, sufficient to meet all demands upon them for coin in payment of their notes.* And in the huge volumes of evidence, collected by Committees of both Houses of Parliament on the subject, there is not a tittle to show, that so much as a single *gold coin* was ever withdrawn from the district of circulation of any Country bank for exportation, in consequence of the state of *foreign exchanges* or for any other cause—and it may very safely be asserted, that no Country bank, for any purpose of its trade ever possessed a pound or an ounce of *bullion* (which would be of no avail for payment of its notes)—and therefore that *coin* never is, and *bullion* never can be, drawn from Country banks of issue, for exportation to foreign countries.

Foreign exchanges, therefore, affect only the coin and bullion in the possession of the Bank of England, and other dealers in coin and bullion in London. And what *experience* in London teaches upon the subject, may be learnt from the following, viz.:—

In the minutes of evidence annexed to the Report of the Committee of Secrecy of the House of Commons, on the expediency of the Bank resuming Cash-payments, made in Sess. 1819, at p. 263, the proceedings of a Court of Directors of the Bank of England, holden on the 25th of March, 1819, are cited; whereat it was, *inter alia*, Resolved:—"That this "Court cannot refrain from adverting to an opinion strongly "insisted on by some, that the Bank has only to reduce its "issues to obtain a favourable turn in the Exchanges, and a "consequent influx of the precious metals—the Court con-

* By the 3rd and 4th William IV, cap. 98, anno 1834, the notes of the Bank of England are made legal tender in payment of all Country Bank-notes for more than *five pounds*. But, it is believed, that no Country Bank ever avails itself of that *law*—for to refuse payment of any of its notes in *coin* wanted by a customer, and to constrain him to accept payment in Bank of England notes, would be to constrain him to have recourse to the Bank of England for the coin wanted.

" ceives it to be its duty to declare that it is unable to discover " any solid foundation for such a sentiment." And in the minutes of evidence annexed to the Report of the Secret Committee of the same house on the Bank of England Charter, in Sess. 1832—To question 226, put to the Governor of the Bank, viz. :—" Is it your opinion, that by the operation " of any individual or combination of individuals, the foreign " exchanges can be controled for any length of time?"—he answered : " I should say, certainly not"—And to question 4812, put by the same Committee to N. M. Rothschild, viz. : " Your opinion is, that the Bank of England, in attempting to " regulate the exchanges, have not the power of doing so?"—he answered—" In the regular way, it is not possible that any " body can regulate the exchanges."

And that the Bank adopts *in practice*, a course exactly the reverse of that, by which—according to the *postulatum* or *dictum* in the said proposition—the issues of its paper currency *ought* to be regulated, appears very decisively from the following statement of fluctuations of the *coin* and *bullion* in the Bank, and of the notes in circulation out of it, from 28th February, 1824 to the 28th February, 1826.

		Coin and Bullion.		Notes. out.	
In Feb. 1824	there were in the Bank	$13\frac{3}{4}$[a]	millions, and	$19\frac{3}{4}$[d]	millions.
In Feb. 1825		$8\frac{3}{4}$[b]	do.	$20\frac{3}{4}$[e]	do.
In Feb. 1826		$2\frac{1}{2}$[c]	do.	$25\frac{1}{2}$[f]	do.

Wherefrom it appears that, whilst by efflux of gold from the Bank, the coin and bullion was becoming reduced from $13\frac{3}{4}$ to $2\frac{1}{2}$ millions, the Directors were *extending* instead of *contracting* the amount of the paper-money *out of the Bank*. For, they not only *re-issued* the $11\frac{1}{4}$ millions ($13\frac{3}{4}-2\frac{1}{2}=11\frac{1}{4}$) of notes brought back for the coin and bullion drawn out of the Bank, but, moreover, *increased* instead of *contracting* the amount of

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[a] £13,810,060. [b] £8,779,100. [c] £2,459,510.
[d] £19,736,990. [e] £20,753,760. £25,467,910.
Report of the Secret Committee of the House of Commons on the Bank of England Charter, Sess 1832, App. No. 5, p. 23.

their *notes out*—having $25\frac{1}{2}$ millions of notes *out* in 1826, when there were only $2\frac{1}{2}$ millions of coin and bullion in the Bank, and no more than $19\frac{3}{4}$ millions of notes out in 1824, when there were in its coffers $13\frac{3}{4}$ millions of coin and bullion.

That all the notes brought back for coin and bullion were *re-issued* is unquestionable; for, had they not been so, the amount of *notes out* would have been less by the number brought in for coin and bullion—which is manifest.

Acting contrary to *reason*, and in defiance or contempt of *experience*, shown by this and much more evidence on the subject, on record in reports and papers of the House of Commons, the author or authors of the Act in question framed it (upon the dogmas propounded in that House, in the 5th opinion stated, p. 24, *ante*), so as to deprive the Bank of the *power* of *regulating* from time to time the *quantum* of issue of its notes, upon its *experience* (as in times past, for a century and a half from the first grant of its Charter, down to the year 1844)—and, fancifully and capriciously, made it *compulsory* on the Bank " to contract the issue of its *paper-money*" to 14 *millions*—how much soever the demand for paper-money in the circulating medium might exceed that amount—unless there should always be in its coffers *gold coin or gold and silver bullion* for any amount of notes ultrâ 14 millions at anytime out of the Bank in circulation.

It has been noticed (p. 38 *ante*), that the Bank *has* been drained of its coin and bullion down to a single million,* which *may* happen again—the Bank having no power of preventing such a drain upon it, if it should take place—and, should that happen, the Bank would be *under constraint* by the Act to contract the amount of its notes out to 15 millions (14+1=15), although there might, at the same time, be a demand in the circulating medium for 20 or more millions of notes.

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* In February 1797 to £1,086,170, *v.* note p. 31 *ante*, and in December 1825 to £1,027,000, Report, cited in note, p. 46, App. No. 28, p 37.

Suppose that—in December 1825, when the coin and bullion in the Bank was drained down to a single million (£1,027,000),* the then existing *demand* for *paper-money* in the circulating medium being answered by a *supply* of 25¾ millions (£25,709,420)† of Bank notes—the Act had been in force, —the Bank, in that case, MUST have contracted the amount of the notes OUT to 15 millions (14+1=15), calling in and withdrawing 10¾ millions (more than *two-fifths*) of the *supply* of notes, for which there was an existing *demand* in the circulating medium.

Upon the probable effects and consequences of *such* a contraction of paper-money in the circulating medium enforced by *law*, or otherwise, (which, were it caused by a *run* upon the Bank, would probably be caused *suddenly*), it has been observed (p. 31 *ante*) that it is needless to expatiate.

A notable instance of the efficacy of *extension* (the reverse of *contraction*) of the issue of paper-money, operating in relief of a drain of gold from the Bank, occurred in December 1825, when the coin in the Bank was reduced to 426 thousand, and the bullion to 601 thousand pounds,* and the notes then *out* of the Bank amounted to 25¾ millions,† namely, by the issue of a million of paper-money;‡ as to which the following appears in the minutes of evidence (annexed to the Report cited in the note, p. 46 *ante*), given by Jeremiah Harman, a director of the Bank.

Question 2232. The Bank of England issued one pound notes at that period (December 1825), was that done to protect the remaining treasure?

Answer. Decidedly. It worked wonders, and it was by great good luck that we had the means of doing it—because one box, containing a quantity of one pound notes, had been overlooked, and they were forthcoming on the lucky moment.

Question 2233. Had there been no foresight in the preparation of these one pound notes?

Answer. None whatever, I solemnly declare.

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* Coin £426,000 } Bullion £601,000 } £1,027,000. Report, cited p. 46, App. No. 28, p. 37.

† £25,709,420. Same report, App. No. 6, p. 27.

‡ £925,110. Same report, App. No. 82, p. 76.

Question 2234. Do you think that issuing the one pound notes did avert a complete drain?

Answer. As far as my judgment goes, it saved the credit of the Country.*

That that measure *saved the credit* of the Bank, by preventing a *stoppage of payment* of it, is unquestionable—inasmuch as a *run* upon the Bank for payment of its notes of £5 and upwards to the amount of a *million*, was met, by the issue of *that million* of *one pound notes, when the* COIN *in its coffers was drained down to* 426 *thousand pounds.*

The great run upon the Bank, in the year 1825, arose from sudden generally prevalent *distrust* of the security of the paper-money then existent in the circulating-medium, which gave rise to a run upon many Country banks, and caused the stoppage of payment of 67 of them in England.† And as the usual reserve of coin, in ordinary times and under ordinary circumstances, by the several country banks which withstood the run upon them, was insufficient to meet it—recourse was had, by means of their reserve of Bank of England notes, and otherwise, to the Bank of England, and a run arose upon *it*, which produced the effects, and was successfully encountered by the ways and means last noticed.

A run upon Country banks from generally prevalent *distrust*, can only cease upon return of *confidence*. But should

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* The COUNTRY! This is a remarkable instance of the fatuity of Directors of the Bank, in holding, that the *credit of the Country* is bound up with, and depends upon, the *credit of the Bank* (*v.* p. 25 *ante*). In the judgment of the witnessing Director, the credit of the *Country*—of 27½ millions of people—possessing many thousands of millions of capital (*v.* p. 5 *ante*), and income of 600 millions *a-year* (*v.* p. 10 *ante*), *was saved* by the discovery of a million of one pound notes in a neglected box in the Bank, and the application of them in support of the *credit of the Bank!* composed of 400 or 500 foreigners, 590 widows and spinsters, and about 1,500 other partners (*v.* note ‡, p. 37 *ante*), *not personally and individually responsible for the payment of those notes*, beyond each his or her share of the joint stock of the Bank, which in the year 1825 was 14½ millions (£14,553,000), over which the Bank had no *command*, being all irrevocably lent or advanced to the Public.

† In the *Annual Register* for 1825, p. 123, a list of their names or firms, and of their localities is given: and it is there stated, that of the 67, *nine* resumed payment, and *ten* became bankrupt.

such a run again take place, it will not cause absorption of coin from the circulating medium to such extent as heretofore, for the purpose of being kept in reserve by individuals, instead of paper-money, for use and expenditure. Because Country banks, which could, in the year 1825, meet a run upon them, only by payment of their notes *in coin* on demand, can, and of course, *now* would, in the event of such a run, avail themselves of the Act of 1834 (*v.* note, p. 45 *ante*), and pay their notes above *five pounds*, with notes of the Bank of England—which being, by the same Act, made *legal tender for all debts and taxes*, would not now be sent to the Bank for payment in coin—even if the holder of such notes had some doubt of the solvency of the Bank—of which, by the publication of the *state of its affairs* weekly in the *London Gazette*, the holders of its notes can now form some judgment.

The runs for gold coin upon the Bank, which have heretofore from time to time taken place, have been made, for by far the most part, by exporters of gold to some foreign country—and such runs must be anticipated as certain to recur, from time to time in future; so long as the gold coin of the Realm is constituted as it now is. For as such coin is now constituted—when a demand arises in England (*i. e.*, in London) for gold for exportation—the exporter actually obtains what is *equivalent to a bounty*, by exporting *gold coin* of the Realm in preference to *bullion*, as will clearly appear in the sequel.

Nothing is easier than it is to prevent such exportation, by a more rational constitution of the gold coin—and the wisdom and expediency of such altered constitution of it—especially as that would be attended with other advantages to the Public, is unquestionable. For the effect of it would be, to secure the existence *continually* of a quantity of paper-money and of coin in due and requisite supply, *in equilibrio*, in the circulating medium, subject to variation in quantity, *only* by variation *in extent of demand*, or by variation in velocity of circulation; and, as to the coin, to recoinage, when become defective by abrasion or wear.

Were such state and condition of the circulating medium once permanently established, it is manifest—that it would not

and could not be affected, by exportation or importation of gold *bullion*, any more than by exportation or importation of any other metal.

In considering the traffick in what are called the precious metals, gold and silver,* it must be remembered, that gold differs from all other commodities in this respect, namely, that its value does not depend upon the quantity of it in any particular nation or country, but upon the quantity of it in the whole world.

Gold contains so great value in such very small compass, that a very small difference in the value of gold will cause a flow of it from one end of the Earth to the other.† This very near approach to equality in the value of gold *universally*, has established it as a measure or standard of value of all other commodities, over the whole surface of the Globe. Without such a standard, commerce between distant countries, especially beyond seas, could scarcely exist; and *such standard* has, therefore, been beneficently provided by the Almighty Father of the Universe.

Gold is so precious, and is so very carefully preserved, that the quantity of it which has been gathered or collected and is now existent accumulated in the world, is of inconceivable magnitude. The gold which was used by Moses in the construction of the Sanctuary—the gold of which the Israelites, on the termination of their bondage, spoiled the Egyptians—and the gold which was used in building the Temple of Solomon—is, much of it, probably, in some shape or other, in the world at this day.

The vast quantity of gold accumulated in the world since the Flood, is distributed among the nations of it, according to their wealth, and their effectual demands for gold, severally and respectively. Component parts of the whole quantity flow from nation to nation continually, in consequence of changes

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* Gold will be mentioned singly, to avoid repetition of the word silver.

† A piece of gold of the size of a common brick, such as is used for building in England, is worth nearly *four thousand pounds* (£3,897 : 12 : 10), and can be transported from country to country in a Post-office mail-bag. It would purchase, at £5 a-ton, 780 tons, or two or three ordinary-sized ship-loads of iron.

in their fortunes or circumstances; but under all changes of place of component parts of it, the accumulated mass endures from generation to generation, from the unconquerable propensity of man to acquire and to preserve it.

The gold collected and accumulated in the world, exists therein in three very notable and distinguishable portions or component parts.

First. Plate, ornaments, and utensils of gold—which, once separated from the mass, seldom revert thereto. On the contrary, there is a very considerable absorption of new supplies of gold, arising from a continually growing effectual demand for those luxuries in the old world, and among people grown, or rapidly growing, into nations in the new world. This component part of the accumulated mass of gold, passing, in its various artificial forms from party to party, or handed down from generation to generation, unaltered, is a *dead stock* of gold in the hands of individuals.

Secondly. Coin—which, when it has become separated from the accumulated mass of gold—being *necessary* in every civilized nation to be retained unceasingly *in use* for the circulation of all other commodities—does not revert to that mass; except when by discovery of substitutes (*e. g.* of paper-money) for coin—or by devices for increasing the velocity of its circulation—a surplus of coin, ceasing to be longer requisite in any country, is ejected from its circulating medium—and except also when coin is unnaturally drawn from the circulating medium of any country—melted and rendered into *bullion*—as the coin of England almost continually is. But in that case, as new coin must be provided to supply the place of that melted—the mass of gold in coin, existent in the world, is not, in the long run, affected by such melting, rendering into bullion, and recoining.

*Thirdly. The gold of commerce**—which is the surplus of the quantity of gold accumulated in the world, ultrâ those two

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* By commerce in the text, is always meant trade with, between, or among *foreign countries*.

other portions or component parts thereof. Of the quantity of the *gold of commerce* it is impracticable to form any accurate notion or estimate. Although great, it is probably much less than many sensible persons vaguely imagine.

The abrasion or wear of coin, of plate, and of ornaments and utensils of gold; what is consumed in the art of gilding; what is lost in the ocean or other waters; and what, in times of war or civil commotion, or from avarice or other cause, is recommitted to, and remains hid in the bosom of the earth, constitute perhaps nearly the whole actual consumption or waste of gold throughout the world.

If the supply of that metal from all the mines, or places where it is found, be equal to the whole consumption or waste of it in the world—the whole enduring quantity accumulated in the world must remain the same. If that supply be greater than such consumption or waste, that quantity must be *increasing*—and if that supply be less than such consumption or waste, that quantity must be *decreasing*.

There would seem to be valid reasons for belief, that the value of gold, depending of course upon the *supply* of it, and the *effectual demand* for it, in the whole world—has not sensibly varied for more than two centuries last past.

The belief, that *gold* has not varied in value for long time past, seems to be much at variance with the prevalent opinion, that there has been a great decrease in the value of *money* in the United Kingdom.

In the three centuries between the 28th of Edward I, and the 43rd of Elizabeth, money was, from time to time, so debased or degraded at the Royal Mint—that coins of the same denomination, current in England after the 43rd of Elizabeth, contained less than *one-third* of the silver (the only precious metal *then* coined) which they contained before the 28th of Edward I.*

That circumstance alone would cause all commodities (cæteris paribus) to be treble the *price*, though of exactly the

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* See Appendix F, p. ix.

same *value*, that is to say, would cause them to cost *three times the quantity of money by tale*, though only the same quantity of *silver by weight*, after the 43rd of Elizabeth, which they cost before the 28th of Edward I.

And a great error, in that prevalent opinion, arises from ascribing the universal increase of the price of all commodities, the necessaries, conveniences, comforts, and luxuries of life, to variation in the value of *money* (*i. e.*, *gold*), instead of to variation in the value of *those commodities*.

Suppose for a moment that *fifty millions* of the taxes, now annually levied in the United Kingdom, could be, and were abolished; and consider the effect which such an abolition of taxes would have in lowering the price of all commodities—(the duties on some being equal to, and on some exceeding their prime cost; the tax on tobacco amounts to £600 per cent on its prime cost)—while such abolition of taxes *could* manifestly have no effect on the value of gold,—and on reflection, upon the proposed supposition, error in such prevalent opinion will be palpable.

After such an abolition of taxes, the value of all commodities in the United Kingdom would be measured by a much smaller quantity of gold than before: but not because gold had become *dearer*, but because those commodities had become *cheaper*.

How the value of gold may be affected by the great *supplies* which have of late years been poured into the world from Australia, California, and other countries—if such supplies shall continue increasing or undiminished for a long period of years, cannot be predicated. But, great as those supplies have hitherto been, they form so minute an addition to the quantity of *gold in the whole world*, upon which the value of gold depends —that it must be a very long time, before any sensible effect on its value can be produced by such supplies, which, hitherto, have had no sensible effect whatever in lowering the value of gold.

The increased and increasing consumption of gold, in consequence of the great increase of wealth and population, both in

the old world and the new, probably absorbs the greater part or the whole of those new supplies, and leaves the *gold of commerce* unvarying or little varying in quantity.

As the Act in question was framed upon the assumption that the quantity of *paper-money* in the circulating medium ought to be *regulated* by the state of *Foreign Exchanges* (*v.* p. 43 *ante*)—(*science* in which has been dignified with the title of the *Doctrine of Exchanges*)—it may assist, in proof of the fallacy of that assumption, to notice some of the influences by which Foreign Exchanges are affected.

In the language of commerce, *Exchange* means the quantity of money of some one country, which must be paid at a given time and place in that country, for command of a given quantity of money of some other country, to be paid at a given time and place in that other country.

In the *science of Exchanges*, gold is the touchstone. By ascertaining the value or price in the existing circulating medium of any Nation or State, of an ounce, a pound, or any given weight of *pure gold*—and the value or price at the same time of the like quantity of *such gold* in the existing circulating medium of any other Nation or State—the real and comparative value of the existing circulating medium of the two countries is discovered—that is to say—how much of the circulating medium of the one is *equivalent* to how much of the other, and the *primary* rate of Exchange between them is ascertained. But that *primary rate* of Exchange is subject to variation from many causes and circumstances.

If all Sovereigns and States having commercial intercourse with each other, were to make their gold-coins of the same weight and purity,—and to make them legal tender only by *weight*—it is manifest, that the only difference in the value of any given quantity of such coins in any one country, and of the same quantity in another country, would be the cost of the transportation of that quantity from the one country to the other.

In such a state of things, if a person in London wanted

command of 1000 pieces of such coin at Madrid, and a merchant in London, for 1030 of such pieces in London, would give him a bill of exchange or order for 1000 payable in Madrid; he would give the 1030 pieces for such bill or order, unless he found that he could send the 1000 pieces to Madrid, at cost of freight and insurance say of 20 pieces, in which case he would send the 1000 pieces to Madrid himself.

The *rate of exchange* between London and Madrid in this supposed case, would be *two* per cent, which the merchant had made an essay to raise to *two-and-a-half* per cent.

But Sovereigns and States having all coined gold into pieces capriciously differing in size and in purity, and which are often in different condition, as to abrasion or wear; and, nevertheless, sometimes legal tender by *tale*—intricate calculations are requisite, to ascertain, or rather to estimate, the price to be paid in one Nation in the coin of that Nation, for a given quantity of the coin of another Nation, to be paid at a given time, in that other Nation. And such calculations are not only *intricate*, but moreover frequently *speculative.*

For Sovereigns have often committed great frauds by altering the value of their coins, sometimes by changing at their mints the size and weight of the pieces, and, at other times, by mixing a greater quantity of alloy with the gold contained in them; continuing to call the coins so diminished or debased by the same name—and paying their debts to their subjects in the same number of pieces of the diminished or debased coins *by tale*, as were due of the heavier or purer coins—insisting that the debts were *so many coins of the given name, by tale*—and in later days, by issuing pieces of paper impressed with promises to pay a certain number of their coins at *some future day, certain or uncertain;* and then proclaiming, or enacting *such pieces of paper* to be, in discharge of their debts and of all debts within their dominions, lawful tender for the number of *coins* promised thereby to be paid.

Such despotic and fraudulent interferences with their coins by Sovereigns and States—and sometimes fear or apprehension thereof in the minds of *Doctors* of *Exchange*—give rise

to further and *speculative* calculations by them, touching the comparative and often fluctuating value of the coin and paper-money which may happen at any given time to compose the circulating medium of different Nations or States, respectively.

During the stoppage of payment of the Bank of England (by a sort of transfer of the Royal prerogative of coining from the Mint on Tower Hill to their laboratory in Threadneedle-street), the corporation was permitted to issue pieces of silver called *tokens*, which were by law (madness of the Legislature on the subject of the circulating medium then "ruling the hour") sanctioned to be current with, or rather in place of, the Royal silver coin of the realm.

Those *tokens* were, in effect, bank-notes, stamped upon silver —and were principally Spanish dollars, worth at the Mint, or in exchange for gold, about *four shillings and four pence each*, which were first issued by the Bank to signify *five shillings ;* and *four* of them were given by the Bank for a bank-note promising payment of *one pound* in coin of the Realm, nominally on *demand*, but of which payment was prohibited by law, until the end of the then war—which was a notification by the Bank itself, of a depreciation of its notes for *one pound* payable at the end of the war, to *seventeen shillings and fourpence* (4*s*. 4*d*.×4=17*s*. 4*d*.) in present money, or rather in silver *present weight.*

On the 19th of March 1811, the Directors of the Bank determined that they had set too high a value on their notes—and that similar dollars, issued from the laboratory in Threadneedle-street, which had *theretofore* passed at the rate of *five shillings*, should, *thereafter*, pass at the rate of *five shillings and sixpence*, in exchange for their notes, payable in coin *at the end of the war*—which was a notification by the Bank itself of a further depreciation of its notes for *one pound* payable at the end of the war, down to *fifteen shillings and ninepence* in present money,* or rather in silver *present weight.*

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* 5*s*. 6*d*. : 4*s*. 4*d*. : : 20*s*. : 15*s*. 9*d*. The House of Commons, nevertheless, shortly after that depreciation of its notes to 15*s*. 9*d*. by the Bank itself, viz., on 15th of May 1811, passed a *Resolution,* "That the promissory notes of

A bill of exchange drawn upon an English merchant, for any sum falling due in England previous to the 19th of March 1811, was payable, and was paid, in Bank of England notes, worth 17*s.* 4*d.* for each pound of the bill—but a bill of exchange for a like sum accepted *before*, but falling due in England *after*, the 19th of March 1811, became payable, and was paid in the same number of such notes, worth only 15*s.* 9*d.* for every pound of the bill.

All foreign merchants who had drawn bills on England, or the holders of such bills, which were accepted *before*, but not due until *after*, the 19th of March 1811, were therefore cheated of *sixpence* on every *five shillings*, or of *ten per cent* of the money expressed to be payable by such bills.

Before the stoppage of payment of the Bank of England, a foreign bill of exchange for £100 due in London, was there payable in Bank of England notes for £100, worth in Dollars, at 4*s.* 4*d.* each, 463 Dollars.* After that stoppage of payment, and after the issue by the Bank of Dollars (Tokens) at 5*s.* each, such bill of exchange for £100 was payable in London in Bank of England notes for £100, worth in Dollars at 5*s.* each, 400 Dollars; and after the issue by the Bank of Dollars (Tokens) at 5*s.* 6*d.* each, such bill of exchange for £100 was payable in London in Bank of England notes

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" the Bank of England *had theretofore been and* THEN WERE held in public " estimation to be *equivalent to the coin of the Realm*"—although the Members of that House *could* not be ignorant, that, at that very time, many of their wives and daughters were continually purchasing at shops in the marts of fashion, for a *guinea*—wares, for which, if paid for in part with a Bank note for *one pound,* they must have added to it, not *one,* but *seven* or more shillings, or Bank-tokens for seven or more shillings!

The tokens emitted by the Bank during the time of its stoppage of payment were pieces of silver (which might just as *honestly* have been pieces of copper or paper) which passed for 5*s.* 6*d.*—5*s.*—3*s.*—and 1*s.* 6*d.*!! and were sanctioned by the Legislature by 44 of Geo. III, cap. 71, anno 1804—51 Geo. III, cap. 110, anno 1811, and 52 Geo. III, cap. 138, anno 1812.

* Omitting fractional parts.

for £100, worth in Dollars at 5*s.* 6*d.* each, only 364 Dollars,* or 99 Dollars (463−364=99) less for such £100 than before the stoppage of payment by the Bank; being a depreciation of the notes of the Bank of 21 (21·38) per cent.

For a foreign bill of exchange for £100 due in London, and there payable in Bank of England notes for £100, varying from time to time in worth, from 463 down to 364 silver Dollars—varying sums of the circulating medium of foreign countries would, from time to time, of course be given, on their several marts of exchange, on the sale or negotiation thereon of such bill for £100; exclusive of any consideration for risk of further depreciation in value of Bank of England notes, after the sale or negotiation of such bill and before its becoming due in London. And such bill of exchange for £100, passing from one foreign mart of exchange to another, would be sold or negotiated for a quantity of the circulating medium current on each such mart, *varying from time to time in amount*,—not only by reason of fluctuation in value of the circulating medium of *England*, in which such bill of exchange would be payable when due—but, moreover, by reason of fluctuation in value of the circulating medium current *on each mart whereon such bill was sold or negotiated;* in consequence of despotic or arbitrary dealings, by the Sovereign or ruling power of the State, with the circulating medium there current. *Vide* pp. 56, 57 *ante*, and Appendix F, p. ix.

E converso.—For a bill of exchange on any foreign country, *e.g.*, on St. Petersburg or Vienna, for a given sum of the circulating medium current in those cities, at the time of the sale or negotiation of such bill—a *varying* amount of Bank of England notes, would have to be paid on the Exchange of London *from time to time*, during the sinking in value of £100 in such notes from 463 down to 364 silver Dollars—exclusive of any consideration for risk of depreciation in value of the circulating medium current in St. Petersburg or Vienna, in consequence of arbitrary interference with the circulating me-

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* Omitting fractional parts.

dium of Russia or Austria by the Emperors of those States, between the time of the sale or negotiation of such bill on the Exchange of London and the day of its becoming due and payable in St. Petersburg or Vienna.

The state of accounts, Debtor and Creditor, between the merchants of England and of foreign countries, and between merchants of foreign countries with the merchants of other foreign countries—the state of political and commercial relations between country and country, and many other circumstances,—are causes of fluctuation, often of sudden fluctuation, in Foreign Exchanges. But it is needless to go particularly into such causes, as what has been noticed touching the fluctuation in value of the circulating medium of England and of foreign countries, suffices to show, that Foreign Exchanges are and must be as variable as the weight or heat of the atmosphere. And therefore it would be as irrational to constrain the Bank *by law* (if that were practicable) to regulate the *quantum* of issue of its notes from time to time, by the fluctuations in Foreign Exchanges (which is the avowed aim of the Act in question), as it would be to constrain the Bank *by law* (if that were practicable) to regulate the *quantum* of such issue by the rise and fall of the mercury in the Barometer or Thermometer.

The circulating medium of the United Kingdom ought, if practicable, to be so established by law, as to be unsusceptible of being affected by the state of foreign exchanges, or any how otherwise than by the *demand* therein for paper-money and coin, and the *supply* of both, at all times, in proper quantity and in due proportion to each other.

It has been noticed (p. 50 *ante*) that the circulating medium may easily be so constituted by law, that the coin in it should never go out of the Country. And being once, by law, effectually so constituted, it manifestly follows that a circulating medium at *all times* fully *supplied with coin, continually abiding within the Country, by being effectually disqualified for being ever sent out of it* (the *paper-money* never leaves it), could never, in any

manner, be affected by fluctuations in *Foreign Exchanges*, or by exportation or importation (efflux or influx) of *bullion*. For if all the *bullion* in the Bank were to flow out of it and into it, twenty or more times in a year, or if all the *bullion* in the world were imported into and exported from London as many times in a year —*that* manifestly could not affect SUCH *a circulating medium.*

A delusion has long prevailed in almost every nation, that it is politic and advantageous to have and retain within it *a great quantity of gold.*

But after the demand, in any nation, of *individuals* for their dead stock of gold in *plate*, *ornaments*, and *utensils* of that metal—and the demand of the Public for its dead stock of gold in *coin*—have been fully supplied; the desire to possess more gold cannot arise from *demand* for it, for any *use;* and to hoard it in the coffers of individuals or of the Public is dead loss.

As an article of commerce, abundance of gold, for home consumption and exportation, is much less desirable to be possessed by any nation, than abundance of inferior metal, *e.g.* of iron.

It has been noticed (p. 51 *ante*) that a piece of gold of the size of a common brick, is worth nearly £4000—might be transported from country to country in a Post-office mail-bag —and would purchase, at £5 a ton, 780 tons, or two or three ordinary-sized ship-loads of iron.

To extract from an iron-mine, ore sufficient to yield 780 tons of that metal—from a coal-mine, coal (converted into coke) sufficient to smelt that ore, and then, by skill and labour, to render it into iron—would give employment to very many coal and iron miners and workers in iron (giving subsistence to many others, supplying *their* necessities, conveniences, and comforts, and all their effectual demands)—whilst a piece of gold of the size of a common brick (or pieces collectively of that size) might be, and often is, the fruit of the industry or good luck of a *single individual.*

To possess mines, and an export trade in iron, must, therefore, be much more beneficial to a country, than it would be to possess mines and *such* trade in gold.

The *passion* of nations to possess a great quantity of gold

for indefinite purposes, *ultra* their effectual demands respectively for that metal, is evidently only the *auri sacra fames.* And incited by it, it was for many ages attempted to secure the *retention* of gold within any realm or country *into which it had once found its way*, by laws highly penal, prohibiting the exportation* of gold, or the sending it overland out of the country, *in any and every form*, and the melting of coin.

But gold comprises so great value in such small compass, that it can always be, and has continually been, exported, or sent overland, from country to country without the knowledge of any Sovereign or ruling power whatsoever. And, therefore, such laws were always abortive, except of now and then effecting the levy of a penalty, or the infliction of personal punishment on some human victim: but nevertheless were not finally abolished in the United Kingdom, until the year 1819; when, by the 59 Geo. III, cap. 49, "It was made lawful for any "person to export the *gold and silver coin* of the realm, and also "to melt the same, and to manufacture, export, or otherwise "dispose of the bullion produced thereby;" and by the same Act, all former statutes prohibiting such exportation and melting were repealed.

By that Act of 1819, an absolutely *free trade* in gold and silver coin and bullion was established in the United Kingdom.

That Act was promoted by the same Politician who promoted the Act of 1844, which abrogated the *free trade* in gold and silver coin and bullion established in 1819, to the extent of making it *compulsory* on the Bank of England—1st. To buy *all* gold bullion imported into England, and tendered to the Corporation for sale at £3 : 17 : 9 an ounce. 2dly. To *retain always in its coffers* gold coin, or gold and silver bullion, to the amount of any sum *ultra* the fanciful sum of 14 millions for which

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* As gold is not indigenous in the United Kingdom, it cannot be exported therefrom till it has first been imported. No merchant ever exports or imports *any* commodity except for profit. And why the merchants of England should have been prohibited for ages from making *lawful* profit by trade in gold, by laws prohibiting the exportation from England of that metal, seems incomprehensible by a person of only common understanding.

the Bank might issue and at any time *have out* its notes. 3dly. Not to retain at any one time an amount of silver bullion exceeding *one-fourth part* of the gold coin or bullion* at such time held by the Bank.

Before the Act of 1819, Doctors of Exchange and other traffickers in gold were obliged to melt and render into bullion the gold coin of England (which could easily be done indiscoverably), before they could safely export it, in order to avoid the penalty on exportation of *coin*.

That operation subjected the coin not only to the cost of melting it before exportation, but also to the cost of its being assayed, on arrival at the port or place of its destination.

The Act of 1819, making it lawful to export the gold coin of England *in rem*—as it saved Doctors of Exchange and other traffickers in gold the expense of melting the gold coins and the cost of assay of the bullion produced thereby—operated as an *additional bounty* on the exportation of *gold coin instead of bullion* to any foreign country, upon demand of gold for exportation thereto. For, before that Act was passed, the ascertainment *gratis* of the weight and fineness of *coin* certified by Royal and Legislative authority in England, operated as a bounty on the exportation of it, and therefore melted gold coin always went first for exportation, *instead of other bullion*—causing (till new coins were struck at the Mint to supply the deficiency) a *scarcity* of gold coin in the circulating medium; upon which *scarcity*, so or anyhow otherwise arising, the promoter of the Act of 1844 propounded, that there *ought to be*, and aimed by the operation of the Act *to effect*, *a* contraction—"early contraction" (*v.* p. 43, *ante*)—of the paper-money *then existent* in the same circulating medium; and so to add to the *scarcity of gold coin therein*, *a scarcity of paper-money also*—under the delusion, that such forced scarcity of paper-money would cause a reflux of the gold coin exported, or an importation of other gold to be coined in its stead!!

Although the Act of 1819 gave to Doctors of Exchange

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* Sic in orig.

and other traffickers in gold, easements and facilities not previously enjoyed by them, in exporting the gold coin of England to foreign countries; that coin (being first melted) was always exported by them at pleasure, regardless of penalties of the law—so easily avoidable as to be held naught.

The only way—and it is a most easy and advantageous way—to prevent the exportation of the *gold coin* of England, upon a demand arising for gold for exportation from England to any foreign country, and to secure the exportation of *bullion* only to meet such demand, is to make it impracticable for Doctors of Exchange and other traffickers in gold, to export such coin, *except at a loss* (which it is certain they will never incur); and that can most easily be done by charging seignorage on gold *coined at the Royal Mint*—a charge which is so just and reasonable, that the omission of making it seems to be a violation not only of justice but moreover of common sense.

On *copper* coined at the Royal Mint, seignorage is charged, varying in amount according to the price of copper in the market; but exceeding on the average 100 per cent.; that is to say, the *copper coin* of the United Kingdom contains less than half the quantity of copper for which it passes current as money. A pound of *uncoined copper* of the same fineness may be purchased in the market for less than half a pound of *copper coin.*

But as *copper coin* is lawful tender only for sums not exceeding *one shilling;* it is, under that limitation of tender, made to serve only for subdividing shillings into *pence*, *half-pence*, and *farthings.* Twelve good copper pennies are, nevertheless, really and truly worth a shilling in silver coin—*because they cannot be had or obtained from the Mint or otherwise for less.**

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* Copper-coin is issued from the Mint at £224 per ton. By a return from the Mint to the House of Commons, Session 1836, it appears, that the quantity of copper purchased and coined from the year 1815 to the year 1835 was about 528 tons, which cost on the average about £95 per ton. The seignorage on that quantity amounted to £61,852, which was carried (after deduction therefrom of the expenses of the coinage of the copper) to account of the extraordinary and contingent expenses of the Mint.

On *silver* coined at the Royal Mint, no seignorage was charged, before the year 1816. But from and since that time, in pursuance of the 57 Geo. III, cap. 68, a seignorage of *four shillings* on every *pound* troy-weight has been charged for the coinage of silver at the Mint. The *silver coin* of the United Kingdom, therefore, contains a quantity of silver less by 6 (6·06) per cent. than it passes current for as *money*.

By the same statute, it is provided, that "no tender of "*silver coin* shall be lawful for any sum exceeding *forty shil*-"*lings*". *Silver coin*, under that limitation of lawful tender, therefore, serves principally as an *instrument* for subdividing gold coin into crowns, halfcrowns, shillings, sixpences, etc.

Sixty-six shillings weigh a *pound troy;* but for *sixty-two* of them, a pound troy of *uncoined silver*, of the same fineness, may be purchased in the market—and the sixty-two shillings *in coin* are really and truly worth *uncoined silver* of the weight of sixty-six shillings—*because the coin cannot be had or obtained from the Mint* (whence it issues passable by TALE, having, by the impress upon it, the weight and fineness of each piece certified by Royal and Legislative authority), *for less than that weight of silver bullion;* which is of so little avail, that it may be said to be useless, for the purchase of the necessaries, conveniences, or comforts of life, or of other commodities.

It has been already mentioned that, by 59 Geo. III, cap. 59, anno 1819, repealing all the penal statutes prohibiting the exportation or the carrying out of the Realm and the melting of *coin*, "it was made lawful for any person to "export the *gold and silver coin* of the Realm—and also to *melt* "*the same*, and to manufacture, export, or otherwise dispose of "the *bullion* produced thereby."

That statute makes no mention of the melting or exportation of the *copper coin*. If anyone were to melt the *copper coin*, or to export it as metal, he would lose by either operation more than 100 per cent. He would be able to dispose of the melted copper, or exported copper coin, only for half what it was worth *in coin within the United Kingdom*—copper in *coin* being worth, *within the United Kingdom*, 100 per cent more than *uncoined copper*.

The same statute might very safely have been equally silent on the subject of melting or exporting the *silver coin;* because if anyone were to melt the *silver coin*, or to export it as *bullion*, he would by either operation lose *six per cent.* on the quantity melted or exported—*silver in coin within the United Kingdom* being worth 6 per cent. more than *silver in bullion.*

That provision of the statute, therefore, which *gives leave* to melt or to export the *silver coin* at a loss of 6 per cent., seems to be a provision not a little superfluous. It might as well have gone on to *give leave* to melt the *copper coin* (about which it is silent) at a loss of 100 per cent., which would have been mere mockery.

There is no fear—if that statute had never been enacted, of either the *copper coin* of the Realm on which it is silent, or the *silver coin* of the Realm of which it speaks, being *melted* or *exported*—while such coins can be melted or exported only at certain and heavy loss.

The provision of the same statute which makes it lawful to melt and export the *gold coin*, only repealed in *set terms* all the absurd and nugatory statutes, prohibiting the melting and exportation of *that* coin, under grievous penalties; at which Doctors of Exchange, melters of coin, and exporters of gold only laughed.

There *is*, as there always was, however, an easy and sure way to secure the gold coin of the Realm from being *ever* melted or exported—simply by making the melting or exportation of it practicable only *at a loss.*

If seignorage were imposed on the *gold coin*, as well as on the *silver* and *copper coin*, it is manifest, if such *gold coin* were melted and rendered again into *bullion*, that such *bullion* would be *minus* the quantity of gold taken from it at the Mint for seignorage; and therefore that such *coin* could not be rendered into *bullion (i. e., be melted)* except at the loss of that quantity of it.

And as that part of the value of *coin* which consists of *seignorage* goes for nothing *out of the realm;* coin which had paid *seignorage* could not be exported as *bullion (the gold of com-*

merce) except at the loss of the amount of that quantity or weight of it which was taken or paid for *seignorage* at the Mint.

It has been a received opinion, or rather *notion*, of certain theorists, that to impose a seignorage on *gold coin*, would be equivalent to *debasing* it, as coin was debased by the monarchs of England* and of other countries; but it is easy to show the error of that opinion or notion.

Gold is coined at the Royal Mint of the United Kingdom *for nothing*, to all comers: whoever carries *gold* to the Mint, has *delivered out* to him the same weight of *pure gold* in *coin* as he *took in* in bullion, and *a present is made to him of the alloy.*

By the coinage, the weight and the fineness of each piece of *gold coin* is ascertained and certified by Royal and Legislative authority: and *gold*, after being *coined*, passes by *tale* as *money*, without the trouble of weighing or assaying each piece at every transfer of it.

But *why* the weight and the fineness of *gold coin* should be ascertained and certified by Royal and Legislative authority; by the metal undergoing laborious, delicate, and expensive processes at the Mint *for nothing*, seems as incomprehensible, as it would be to hear of a goldsmith who, *being found the metal*, would form it into a teapot or a candlestick of gold *for nothing!* The coinage of *gold money* at the Royal Mint is attended with a very great annual expense (after giving credit for the profit of the seignorage taken on the coinage of *silver* and of *copper*), for the indulgence of the *fancy of coining gold for nothing.*

The consequence is, that any given weight of *gold in coin*, and the same weight of *gold bullion (the gold of commerce)*, of equal fineness, are of equal value in the United Kingdom, for the purpose of the goldsmith, or other worker in gold, or for exportation: and *gold in coin* (as it passes without assay, and can always be commanded by constraining the Bank to give it forth on demand to the bearer of its notes), is sure therefore to go first for *exportation*, when there is any demand, especially

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* *Vide* Appendix, F. p. ix.

when there is a sudden demand, of gold for exportation; and the goldsmith, or other worker in gold, throws the *coin* into his crucible, and so provides himself with what *gold bullion* he is in want of, without the trouble of going to market for it, or of weighing or assaying it.*

If a seignorage of were imposed on *gold coin* at the Mint (at least, not less than the expense of the coinage), the *gold coin* would never be melted nor exported, because that seignorage—though it would be a component part of the value contained in the coin, *while it remained coin within the realm*—would be of no value whatsoever, *at home if the coin were melted*, or in *any foreign country if it were exported;* just in the same manner as £20 paid for duty on a pipe of wine is, *within the United Kingdom*, a component part of the value of that pipe of wine: *such* pipe would be worth more by £20 *in the United Kingdom*, than another pipe of similar wine lying by its side, on which no duty had been paid; and yet it is manifest that both pipes, if exported to a *foreign country*, would be of *equal value* in that *foreign country*—that the pipe on which the £20 of duty had been paid in the *United Kingdom*, would not, *in the foreign country*, be worth a single penny more than the pipe on which no such duty had been paid. But the wine on which £20 of duty had been paid, would be worth, *within the United Kingdom*, £20 more than the prime cost of it—because *not obtainable, not to be had, within the United Kingdom, without payment of that duty.*

Seignorage paid at the Royal Mint on coin is as true and effectual a component part of the value of *coin within the United Kingdom*, as the metal in the same coin is—just as *duty* paid on wine is as true and effectual a component part of the *value* of wine *within the United Kingdom*, as the *first cost* of the wine is.

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* *Gold in coin*—though only of equal value for *melting* or for *exportation*, with the same weight of assayed *gold bullion* of equal fineness—is of *greater* value for *home use* than bullion, because it possesses the extrinsic value of the coinage, whereby the weight and fineness of each piece of coin is ascertained and certified by Royal and Legislative authority.

If new coin can be obtained *only* at the Royal Mint, and *be not obtainable there without payment of seignorage*—the cost of the seignorage may be said to be effectually incorporated with the *metal* of the coin—and the *value* of the coin is the *cost* of it; which is the sum of the value of the metal contained in it, and of the amount paid for *seignorage* thereon at the Mint.

If seignorage be exacted for the coinage—coin *cannot be had without payment of the seignorage*—and, therefore, must be worth the value of the metal contained in it, *plus* the seignorage.

There is no limit to the *quantum* of seignorage which might be imposed, and become incorporated in the value of gold coin *within the United Kingdom*—except that *it would not do* to charge seignorage so high, as to make it the interest of illegal coiners to utter what would be *good money*. If excessive seignorage were taken on gold coin, artificers of Birmingham, for gain, would soon inundate the country with *good money*—regardless of prohibitory penal statutes against illegal coiners.

Good *copper-coins* are not imitated and uttered to any material extent, if at all, for the sake of the 100 per cent. increase of value, which copper acquires by being coined—the bulk and unwieldiness of the metal making it impracticable to carry on illegal coinage of it extensively, in any very private manner. Nor are any good silver coins imitated and uttered, as the cost of illegal fabrication and uttering of such coins would probably much exceed 6 per cent, the seignorage charged at the Mint thereon.

It has been objected—that if *seignorage* were charged on the coinage of *gold*—such *seignorage* might tempt a dishonest Government to force out an excessive quantity of *gold-coin* —displacing paper-money, which is so much cheaper and more commodious;—merely for *the sake of the profit of the seignorage*. But *that*, if the seignorage were a *fair* seignorage, would not be worth while; and could moreover easily be guarded against; by a law — that *gold-coin* should be provided and issued in all time to come, no otherwise than as it has been provided and issued in all time past—namely, by *individuals* taking *gold bullion* to the Mint and having it, in future,

coined, on payment of a fair and reasonable seignorage, instead of having it coined, as now, for nothing.

A *seignorage* of   on *gold coin* would save the very great charge to the Public of the annual expenses of the Mint —and, (which is of infinitely more importance)—would prevent the *melting* or *exportation* of the *gold-coin*; because such *melting* or *exportation* would be *then* attended with a loss.

There is now no scarcity of *silver* or *copper-coin* in the United Kingdom—because neither of those coins, by reason of having paid seignorage, can be melted, or be sent forth of the Realm for sale in a foreign country, except at great loss. But *gold coin* is melted or exported as *bullion* (*the gold of commerce*), is, and in preference.

A goldsmith or worker in gold, by throwing into his crucible the quantity or weight of the existing *gold coin* necessary to compose the fabric which he desires to produce—is saved the trouble of going to market for, and of weighing and assaying *bullion*. But the loss of the seignorage in the melting-pot would save the *coin* from the process of reduction to *bullion*—and would cause the artizan to go to market for his metal.

In like manner *gold coins*, which have paid no seignorage, are *exported*, when there is a demand (especially when there is a sudden demand) for gold for exportation, in preference to gold *bullion*—because the *coins* can be commanded *instanter* from the Bank for its notes, payable in *coin on demand*—and the exporter, by exporting coins, is saved the trouble and expense of going to market for *gold bullion*, and of assaying it.

But *seignorage* upon *gold coin* (such only as would defray the sum of the annual charges on the Public for the expenses of the Mint) would prevent the melting or exportation of it, —in the same manner as the seignorage charged on *silver* and *copper coins* now prevents the melting or exportation of those coins. Consequently *all coins of gold*, after they had once been issued from the Mint, would remain and be confined within the Realm—as the existing silver and copper coins now are—*doing their office*, till, in consequence of wear or abrasion, called or brought in to be recoined.

Any demand for increase of the *quantity of coin circulating with the velocity which it had acquired*, arising from an increase of commodities and paper-money, to be circulated by it—or any demand for increase of *quantity* of coin caused by *diminished velocity of its circulation* within the Realm—would be immediately supplied by *bullion* being taken to the Mint, and there coined to supply such demand. And, *e converso*, if the *quantity* of coin should acquire an increased velocity of circulation *cæteris paribus*—or if there should be a decrease of commodities and paper-money to be circulated by the *quantity* in existence *circulating with the velocity which it had acquired* at any given time—the surplus quantity of coin would be ejected from the circulating medium, and be rendered again into *bullion* (*the gold of commerce*) at the loss of the seignorage.*

It is manifest that in such a state of the circulating medium, as far as composed of coins—whatever might be the state of *foreign exchanges*—no exportation from the United Kingdom, of the *coins of the Realm*, would *ever take place*—how large soever might be the exports of *bullion* (the *gold of commerce*)—on which alone, *in such a state of the circulating medium*, foreign exchanges could have effect.

That proposition, upon the data assumed, is incontrovertible.—From which it follows, that—if a seignorage were imposed upon *gold coin*, as well as upon silver and copper coins—all discussions about the state of *foreign exchanges causing coin to become scarce*—introduced into inquiries touching a *circulating medium*, *which could never leave the Realm*—and which *therefore*, could never be in any manner or way *affected* by *such exchanges*—would be as superfluous and irrelevant as the inquiries *de omnibus rebus*, made by Committees of both Houses

* *Silver coin*, which had been ejected as a *redundant quantity* from the circulating medium, to the amount of 600 *thousand* pounds, had accumulated in the Bank of England in the year 1831—which quantity was in that year melted into ingots; and the loss by that operation amounting to £38,289, was afterwards made good by the Public to the Bank—as appears by copies of Treasury minutes of 31st March and 22nd April, 1831, and 21st October, 1834, and the estimates of miscellaneous services for the year 1837, ordered by the House of Commons to be printed 3rd and 12th August, 1836.

of Parliament, on the subject of the *paper-money of the Bank of England*, and of the *coin of the Realm;* such as—loans and subsidies to foreign powers—the prices of grain; of coffee; of wine; of tobacco; of whale oil; of iron; of deals and timber; of leather; of wool; of coals;—the number of Inclosure-bills passed in Parliament—the price of provisions for a century back—foreign property in the British funds—the number of commissions of bankruptcy issued, etc.—which have been drawn into such inquiries, with no other effect than to confound them; and to hide or bury the material facts and the truth sought for, under a heap of statistical and other rubbish.

By the law fixing the *minimum sum of paper money* in England at £5—it is secured, that all payments therein of and under £2. 10s. *shall* and *must* be made *in coin.**

Coin is now in abundance to make all such payments, and to circulate all commodities and all the paper money within the Realm, and will so continue, unless the absurdity of coining gold, *i. e.*, of ascertaining and certifying, by Royal and Legislative authority, the weight and fineness of gold coins *for nothing*,—and thereby *giving a bounty* on the *melting and exportation of gold coin*—be continued.

The following statement of the quantity of gold coined at the Royal Mint in the 95 years since the accession of King George III, supplies proof that that quantity was not *recoined* from gold brought or called in from the circulating medium, by reason of having become "light" from abrasion or wear, or called in for any other cause; and, therefore, that by *indulgence in the fancy of coining gold for nothing*, the Royal Mint was (as it is) kept almost incessantly at work, at very great and continually increasing expense (defrayed out of the revenue derived

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* *Prima facie*, it would *seem*, that to fix the minimum sum of *paper-money* at £5, would secure that all payments less than £5 should be made in *coin;* but on consideration it becomes evident, that all payments of £2 : 10, and under £5, may be made by receiving *change* of £2 : 10, or less than £2 : 10, out of a £5 note.

from taxes on the people), to provide gold for Doctors of Exchange and other traffickers in that metal for exportation, and for goldsmiths and workers in gold in the United Kingdom, and in foreign countries; or, if not for such parties only, at all events not for the use or service of the people, out of the taxes upon whom, the cost of the indulgence of that fancy is defrayed.

		£	Yearly on an average. £	Parliamentary Paper
1760 Oct. 25 – 1798 Dec. 31	In 38 years	62,242,489	———	No. 291, Sess. 1819, p. 371
1799 Jan. 1 – 1816 Dec. 21	In 18 years	5,121,387	———	The same paper
1817 Jan. 1 – 1823 Dec. 31	In 7 years	23,728,096	———	No. 601, Sess. 1848
		91,091,972		
1824 Jan. 1 – 1843 Dec. 31	In 20 years	48,999,757	2,499,988	The same paper
1844 Jan. 1 – 1852 Dec. 31	In 9 years	36,566,383	4,062,931	The same paper and No. 2, Sess. 1854
1853 Jan. 1 – 1854 Dec. 31	In 2 years	16,104,574	8,052,287	No. 2, Sess. 1854 and No. 6, Sess. 1855
1855 Jan. 1 – Dec. 31	In 1 year	9,008,823	9,008,823*	No. 26, Sess. 1856
	Total	£201,771,509		

say 202 millions, exclusive of the quantity of gold coin existent in the circulating medium at the time of the accession of King George III.

In consequence of a Royal Proclamation on the 3rd June, 1842, prohibiting the light gold coin then in circulation from being thereafter current, 11 millions (£10,820,731)† were then recoined from such light coin, which reduces the above sum of 202 millions (£201,771,509) to 191 millions (£190,950,778).

The quantity of gold coin actually existing in the circu-

* This is a return, not of the quantity of gold coined at the Mint in the year 1855 (of which no return is yet published), but of the quantity of such coin *received by the Bank from the Mint* in that year.

† Parliamentary paper No. 46, Sess. 1844. And by such paper No. 239, Sess. 1847, it is stated that the cost at the Mint of such recoinage was 68 thousand pounds (£67,815 : 13 : 7).

lating medium at any given time, cannot be known; being subject, continually, to be melted by workers in gold, and to be abstracted for exportation to foreign countries.

From intent rather to overestimate than underestimate the quantity of coin existent in the circulating medium of the United Kingdom in the ten years ended with 1854—it was set down, for the sake of being *on the safe side*, at the beginning of these pages (*v.* p. 2, *ante*), at 40 millions; but that was probably a great overestimate.

The principal value of the coin in circulation during that period, was of course, as at all times it is, *gold coin.*

Mr. Morison, the Deputy-master and Worker of the Royal Mint, estimated the total quantity of gold coin in circulation in the year 1780 at 26 millions (£26,003,135).* And at a Court of Directors of the Bank of England held on 25th March 1819, it was resolved—"That previous to the war, the amount "of specie in circulation was variously estimated, by persons "best qualified from their situations to obtain information. It "seems, however, to be agreed that it was about 30 millions; "*but whatever was the amount the whole has been exported.*"†

In the quarter of a century from 1797 till 1822, during the stoppage of payment of the Bank, the gold coin was, *of course*, *all* melted and exported, for the sake of the great profit then to be obtained by melting and exporting it—which in the year 1811 exceeded 21 per cent (*v.* p. 59, *ante*).

The war having ceased in 1815, and the Bank having resumed payment of its notes in the year 1822, it appears from the foregoing statement that the total amount of gold coin struck at the Mint in the *seven years* ended with 1823, to prepare and provide for such resumption of payment (the old coin having vanished during the stoppage of payment), and in supply of *all* demand upon the Mint for gold coin, was 24 millions (£23,728,096).

And although it may be assumed that the greatly in-

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* Parliamentary Paper, No. 282, Sess. 1819, p. 318.

† The same paper, p. 262.

creased productions of agriculture and of trade, for home consumption and for exportation, by a population continually increasing since the year 1823, must have caused an increased *demand* for *quantity* of gold coin in the circulating medium; yet the increased *velocity of circulation* which such coin was during that time continually acquiring (from increased velocity of locomotion, from increase of the effect of "the Clearing House", and from other causes)*—probably counteracted, to the full, or more than counteracted, such increasing demand; and made the 24 millions of gold coin existent in 1823 suffice, or more than suffice, continuously thereafter, for full supply of the demand for such coin in the circulating medium since that year; and therefore that the quantity of it now (in 1856) actually existing therein is not more than 24 millions, the quantity coined in the seven years ended with 1823 to replace the coin which had been *all* melted previously.

But assuming the quantity of gold coin necessary for the full supply of the *natural* continuously existent demand for it in the circulating medium to have been since 1823, and to be now, as much as 30 millions—yet when it is noticed in the fore-

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* Bills of exchange and promissory notes, which are in very extensive and increasing[a] use among merchants and traders, *lessen the demand* for circulating medium. And yet by some theorists are nevertheless considered as constituting part of it.

Such bills and notes, given in consideration for goods, wares, and merchandizes, and passing among merchants and traders, give circulation to commodities *without the use of money*. But it would be a contradiction in terms, to say, that they form *part of that* of which they cause *the disuse*.

In these pages, circulating medium is to be understood *always* to mean only coin and paper-money payable in coin on demand. The notes of the Bank of England, although made *legal tender for all payments above five pounds*. are made such only "so long as the Bank shall continue to pay on demand their "notes in legal coin." *Vide* p. 34 *ante*.

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[a] The amount of Stamp duty paid on Bills of exchange and Promissory notes in the United Kingdom, appears in the annual Finance accounts laid before the House of Commons, and was 517 thousand pounds (£517,203) in the year 1834—570 thousand pounds (£570,219) in the year 1844—and 615 thousand pounds (£615,313) in the year 1853. In the year 1854 the Stamp-duty on such Bills and Notes was varied.

going statement, that in the single year 1855, 9 millions (£9,008,823), or nearly a *third* of that quantity, were coined at the Mint—that in the *three* years ended with 1855, 25 millions (£25,113,397), or *five-sixths* of that quantity—and in the *twelve* years from 1844 to 1855 both inclusive, 61 millions (£61,679,780,) or *more than double* that quantity, were there coined—and that in the 32 years from 1824 to 1855 both inclusive, 100 millions (£99,858,806),* or *three and a third* times that quantity were there coined—it appears clear to demonstration, that the Mint is kept continually at work *coining gold for nothing*, for other uses or purposes than for the *supply* of coin to the circulating medium of the United Kingdom.

If further proof were required, that the gold coin issued from the Mint is continually melted, or otherwise vanishes from the circulating medium—it might be adduced by stating that it appears from the Parliamentary papers, from which the foregoing statement is drawn up, that in the 18 years from the commencement of the reign of King George IV, anno 1820, till the end of 1837, the last year of the reign of King William IV, 49 millions (£49,263,518) of gold were coined at the Mint —and yet that a sovereign of the reign of King George IV, or of King William IV, is now rarely seen among the gold coin in circulation in the United Kingdom; and a sovereign of the reign of King George III almost never.

In the year 1798, when the capital of the Bank was $11\frac{1}{2}$ millions (£11,642,400),† the proprietors of it were in number "about 2500, of whom 400 or 500 were foreigners resident "abroad, about 260 were widows, and 330 were spinsters." *Vide* note ‡, p. 37 *ante*.

That capital became in 1816, and now in 1856, is, $14\frac{1}{2}$ millions (£14,553,000),‡ whereof 11 millions (£11,015,100)‡

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* £110,679,537—£10,820,731 recoined = £99,858,806.

† Capital from 1798 to 1816, £11,642,400 } £14,553,000 capital in 1816,
25 per cent. thereon . . . £2,910,600 }
thereafter, and now in 1856. Parliamentary paper, No. 722, Sess. 1832, Appx. p. 38.

‡ *Vide London Gazette* of any Friday in the year.

are deposited with (*i. e.*, lent to) the Public at interest of 3 per cent. per ann.

As that increase of capital did not arise from calls upon, or contributions of, the proprietors of the Bank, but was *created* in the year 1816, by an addition of 25 per cent. to its then capital of 11½ millions, out of part of the *extra profits* of 14 millions (£14,174,622, *v.* note, p. 39 *ante*)—the fruit to the Bank of its stoppage of payment for the quarter of a century ending in the year 1822—the *quality* of its proprietors, which would be disclosed by their several designations, is probably little different now in 1856 from what it was in 1798.

By division of the Public debt of 751½ millions (£751,645,818, *v.* p. 5 *ante*) of 3 per cent. Stocks* into parcels of 11 millions each—the quotient shows that there are 68 bands or bodies of Public creditors, each band or body (greater or fewer in number) being proprietors of 11 millions of 3 per cent. Stock; of which 68 bands or bodies, the 2500 proprietors of the Bank of England compose *one*.

The Public is under much less *obligation* to the proprietors of the Bank for the loan of 11 millions on the security of 3 per cent. Stock, than to everyone of the other 67 bands or bodies of Public creditors, each having lent 11 millions on the security of such Stock—because the proprietors of the Bank have bargained for payment in full of *their* 11 millions of Stock, at a day certain on *cesser* of the contract for the loan thereof—while the 67 other bands or bodies of the Public creditors have no demand whatever for payment of *their* Stock, although they must accept payment of it, upon tender thereof to them by the Public, *at any time*.

And yet, in consideration of *such* loan of 11 millions, and of the payment to the Public hereinafter mentioned, the Legislature, by the Act of 1844, confirmed the *sale* by the Government, to the band or body of Public creditors composing the Corporation of the Bank, of the exclusive privileges, monopoly, and other advantages granted and secured to them by that Act.

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* The debt is so *very nearly* all composed of 3 per cent. Stocks, that in the text it is assumed to be so wholly.

By the acquisition thereof the proprietors of the Bank have made among themselves upon their $14\frac{1}{2}$ millions of capital, $\frac{1}{2}$ yearly dividends of profits — on an average of the ten years next after that in which the Act was passed ending with 1854,—of 8 per cent. per ann., clear of the tax upon income (which is equivalent to 10 per cent. per ann. on $11\frac{1}{2}$ millions, *the whole capital of the Bank which the proprietors ever contributed in money*)—while the other 67 bands or bodies of the Public creditors, holders of $740\frac{1}{2}$ millions ($751\frac{1}{2}$-$11=740\frac{1}{2}$) of Stock, got $\frac{1}{2}$ yearly dividends thereon of only 3 per cent. per ann., and *their* stock has been saleable in the market on an average of the same ten years at 94 per cent.,* and is now, in March 1856, saleable therein at 91 or 92 per cent.—while the Bank-stock of $14\frac{1}{2}$ millions has been saleable in the market, on an average of the same ten years, at 208 per cent.,* and is now, in March 1856, saleable therein at 214 or 215 per cent.

By the 8th sect. of the Act of 1844 it is provided, " That *in* " *consideration of the privileges of exclusive Banking and the exemp-* " *tion from Stamp-duties* given by the Act to the Bank; the Bank " shall, during the continuance of such privileges and exemp- " tions, deduct and allow to the Public, from the sums payable " by Law to the Bank, for the charges of management of the " Public unredeemed debt, the annual sum of 180 thousand " pounds."

But *in the state of the affairs of the Bank* published weekly in the *London Gazette*, there is (as required by the Act) an item on the Debtor side, "*Public deposits*, including Exchequer, " Savings-banks, Commissioners of National debt and divi- " dend accounts"—and the returns of the Bank to Parliament show, that there was an aggregate amount of $5\frac{3}{4}$ millions (£5,791,328)† of *such deposits* always in the hands of the Bank,

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* The prices taken from the *Annual Register* for the years from 1845 to 1854, both inclusive.

† Parliamentary Papers, No. 70, Sess. 1850; No. 953, Sess. 1853; and No. 173, Sess. 1855.

on an average weekly and yearly during the ten years next after that in which the Act was passed ending with 1854.

And inasmuch as the Bank (allowing no interest to the Public upon such deposits or any part thereof) *reissued* all the notes (constituting such deposits) for interest to the Bank of not less than 3½ per cent. (if for so little as 3½ per cent.) on an average per ann. during that time—such interest amounted to 202 thousand pounds (£202,696) per ann., and exceeded the sum of 180 thousand per ann. by 22 thousand pounds (£22,696) per ann.

Taking into account, therefore, only *that* profit to the Bank from its connexion with the Public under the Act,—instead of the Public having got 180 thousand pounds a-year from the Bank for the privileges and powers sold by the Public to the corporation, the Bank got 22 thousand pounds a-year for having accepted them. For that the Public *might* have made 3½ per cent. per ann. or more interest on the Public deposits in the Bank, had they been invested in Public Securities (*e. g.*, in Exchequer Bills), instead of being, *as far as the Public was concerned, left idle in the Bank*, is free from doubt or question.

By the 7th Geo. IV, cap. 46, sec. 15, anno 1826, the Bank is authorised to establish Branches of itself *in any place in England.*

In exercise of that power, the Bank, in and previous to the year 1847, had established such branches in 4 cities and 9 towns in England; the issue of Branch Bank of England notes by which 13 Branches collectively (8 thereof in Seaports) amounted, on an average in the year 1847, to 6½ millions (£6,527,740),* which is, within about a *quarter of a million* (£315,989), equal to £6,843,729, the amount of notes issued by *all the Private and Joint-Stock Banks in England and Wales collectively*, on the average of the ten years ending with 1854. *Vide* Appx. D, p. vi.

By the 3rd and 4th Wil. IV, sec. 2, anno 1834, it is enacted,

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* Parliamentary paper No. 30, Sess. 1848, p. 13. It is believed that there is no subsequent return to Parliament on the same subject, and therefore the number of Branch Banks of England and the amount of notes issued by them, if any such Branch Banks have been established since 1847, cannot, authoritatively, be stated.

that no body politic or corporate, and no society or company in partnership exceeding *six persons*, shall make or issue in London, or within 65 miles thereof, any promissory note or engagement for the payment of money on demand. And by section 6 of that Act, the notes of the Bank of England are made *legal tender for all sums above five pounds on all occasions on which any tender of money may be lawfully made*, so long as the Bank shall continue to pay their notes in legal coin.

Those enactments in favour of the Bank are continued by the Act of 1844; and by the 7th section of it, the Bank is exempted from Stamp duties on its notes.

The 10th section of it prohibits the issue of Bank notes by any person, other than a Banker, who on the 6th of May, 1844, was lawfully issuing his own notes in any part of the United Kingdom; and the 11th section prohibits any company consisting of only *six* persons at the time of passing the Act (19th July, 1844), from issuing Bank notes, at any time, if the number of them *shall exceed six.*

The 13th section prohibits the issue at any time, by any bank or banker in England or Wales, of a greater number of notes, than each such bank or banker had out or in circulation on an average of the twelve weeks next preceding the 27th of April, 1844.

The 24th section provides, that the Bank may agree with any banker entitled under the Act to issue bank notes, to allow such banker a composition of one per cent. on the amount of Bank of England notes which shall be issued and kept in circulation by such banker; *in consideration of the relinquishment of the privilege of issuing his own bank notes;* and provides, that if any banker discontinue the receipt of such composition, *he shall not by such discontinuance acquire any right or title to issue Bank notes.**

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* The 25th section of the Act provides—that the compositions payable by the Bank to such bankers as shall agree with the Bank to discontinue the issue of their own Bank notes shall, if not previously determined by the Act of such banker, *cease and determine on the 1st of August*, 1856, *or on any earlier-day on which Parliament may prohibit the issue of Bank-notes.*

After the last words, "*issue of Bank-notes,*" the words, *by any Private or*

And by the 27th section, all the *powers, privileges, and advantages* aforesaid, given to the Bank, are to continue until twelve months notice, to be given after the 1st of August, 1855, and upon repayment to the Bank of the said sum of 11 millions (£11,015,100).

Inasmuch as during the ten years ending with 1854, since the Act of 1844 was passed, the Bank was continually indebted to the Public to the said amount of *deposits* of $5\frac{3}{4}$ millions (£5,791,328), while during the same time the Public was indebted to the Bank for the *loan* of 11 millions (£11,015,100), —the difference of those sums, viz., $5\frac{1}{4}$ millions (£5,223,772), is the amount of all the *effectual* debt which during all that time was, and continued due from the Public to the Bank; and yet the Public, nevertheless, during all that time, paid to the Bank interest at 3 per cent per ann. on 11 millions (£11,015,100)!

If A, having received large sums of money to be holden by him upon his personal liability for B, C, and D severally, were to lodge those monies mixed with his own monies with a banker— and A were then to ask the same banker for a loan to him upon interest, for a time short of the time when those monies, lying *at his risk personally* with the banker, were payable to B, C, and D —the banker, laughing in his sleeve, would or might take from

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Joint-Stock Bank," seem clearly to have been *omitted.* For it cannot be imagined that Parliament contemplated (as the words imply) a *prohibition of the issue of* ALL *Bank-notes.* It will be a *bold* Government (of its wisdom nothing need here be said) which shall propose *extinction by law* of the power and right to issue Bank-notes possessed by the 224 Private and Joint-Stock Banks in England (*v.* p. 28 *ante*), to which *collectively,* and to each of which *severally in its locality,* a monopoly of the issue of Bank-notes (except against Branches of the Bank of England) is secured by the Act.

Those words, "*on any earlier day on which Parliament may prohibit the issue of Bank-notes,*" seem to have dropt or crept into the Act, and although *impotent,* they betray the *animus* of the framer and promoter of it.

And Query? If no new Act on the subject be made *before the 1st August* 1856—will the determination of the composition of EVERY Banker with the Bank—not *by his own act* under the 24th section, but by *operation of law* by the 25th section of the Act (*which is imperative*)—have the effect of debarring him from *acquiring right to resume the issue of his own Bank-notes?*

a coffer of his bank, part or the whole of the very identical money so lodged with him by A, and *lend it to A himself upon interest. That*, if not exactly similar to, would very much resemble, the dealing between the Public and the Bank with respect to 5¾ millions of Public deposits, lying continually due from the Bank to the Public; inasmuch as the *Bank receives interest from the Public* on a *loan* of 11 millions, the Bank having always at the same time 5¾ millions of money of the Public *for which the Public receives no interest from the Bank.*

By the 2nd section of the Act of 1844, the Bank is authorized to issue 14 millions of notes, upon the *security* of the 11 millions (£11,015,100) due by the Public to the Bank, *plus* securities for 3 millions (£2,984,900) to be set apart by the Bank, and to be always retained, dedicated to complete a *security* for such 14 millions of notes.

But that debt of 11 millions *as a security to the Public for notes issued by the Bank* must be set down as naught, or, Hibernicè, as less than naught. For were the Bank to stop payment by reason of having become insolvent (an event happily very improbable, as any one may judge from the state of its affairs published weekly in *London Gazette*), there would be, upon the whole account between the Public and the Bank, an enormous debt due by the Bank to the Public after credit given for that debt of 11 millions.

For in consequence of the notes of the Bank being made legal tender in payment of all the Public Revenue, such notes at all times in the Treasuries of the Inland Revenue and of the Customs, and in the hands of the Receivers-general for all the counties of England and Wales; in the hands of collectors of taxes payable by the people ½ yearly; and of the distributors of Stamps; cannot well be estimated at less than a quarter of the whole yearly revenue of 53 millions (£53,142,568, *v.* Appx. B, p. 11), which is 13¼ millions (£13,285,627); and if to that be added the 5¾ millions (£5,791,328),* which the Bank is always

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* The amount of such deposits on an average of the ten years ending with 1854. *Vide* Parliamentary papers referred to in note †, p. 78 *ante*.

indebted to the Public, for Public deposits in the Bank—the debt which would be due by the Bank to the Public on such supposed stoppage of payment, would probably be at least 19 millions (19,076,955), or 8 millions more than the debt of 11 millions (£11,015,100) due by the Public to the Bank for its deposited capital.

That the Bank is merely a *creature of credit* (as alleged pp. 32, 33 *ante*) appears clear to demonstration when it is considered, that the amount which the Bank was liable to pay *in coin on demand* daily and hourly, during the ten years next after that on which the Act of 1844 was passed ending with 1854, was more than 36½ millions—viz.:

	£	
Bank-notes out or in circulatiou, *v.* Appx. E, p. viii.	20,088,437	£36,542,418
Public deposits	* 5,791,328	
Private deposits	* 10,662,653	

while all the *coin* in its coffers was during the same time less than 6½ millions (£6,381,342).†

On the 1st of January 1853 the Bank notes *out* were 23¾ millions (£23,893,000),* the Public deposits were 9¼ millions (£9,266,342),* and the other deposits were 13 millions (£12,993,952),* collectively 46 millions (46,153,294), which the Bank was liable to pay in coin on demand on that day—and the whole of the British coin in the Issue department of the Bank on that day was 3 millions (£3,171,868),† and the *cash* (*i. e.*, such *coin*) in the Banking department was ½ a million (£513,657),* together less than 3¾ millions (£3,685,525);

* Parliamentary papers referred to in note †, p. 78 *ante*.

† By the Parliamentary paper No. 118, Sess. 1853, it appears, that the British coin in the Bank on the 1st January in each of the seven years from 1847 to 1853, both inclusive, was on an average £6,381,342. It is believed that there is no return made by the Bank to Parliament of the British coin in the Bank for the years 1845, 1846, or 1854. The average of those seven years is therefore assumed in the text, as the average of the ten years from 1845 to 1854, both inclusive.

so that if payment in coin of 3¾ millions of that amount of 46 millions, which the Bank was liable to pay in coin on demand on the 1st of January, 1853, had been demanded on that day—the Bank must then have *stopt payment.*

These statements are made only in proof of the allegation that the Bank is a *creature* of *credit.* For that there was no danger of the Bank stopping payment from such a demand for British coin on that day or on any other day, may well be considered free from doubt, when it is kept in mind that all demands upon the Bank for British coin in the Banking department of the Bank, were met, during the ten years ending with 1854, by a reserve of gold and silver coin of only 648 thousand pounds (£647,939, *v.* Appx. E, p. viii), on an average.

Although it seems, at the first blush, wonderful that so *small* a reserve of *coin* should suffice to meet *all demands* for payment in coin of so *large* an amount of Bank-notes *out*—the wonder ceases when it is considered, that the Bank-notes *out* (the due *supply* of which it is the business of the Directors of the Bank to regulate by the *demand* for them in the circulating medium) cannot be spared from the circulating medium—but must be and are always *out* doing their office (subject to but very slight, and never to sudden fluctuation, except in times of panic) and therefore *cannot* be spared to be taken to the Bank for payment in coin.

That fact is surely very strong corroborative proof of the absurdity and folly of constraining the Bank to buy *all* gold *bullion* tendered for sale to it at £3 : 17 : 9 an ounce, and to keep a reserve of such *bullion*, or of coin and *bullion*, of as many millions in value as the amount of Bank notes at any time *out*, ultra 14 millions.

The Bank being able to meet (for it in fact met, during the ten years next after that in which the Act of 1844 was passed) all demands upon it for coin, by a reserve of 648 thousand pounds of gold and silver coins, had (as appears from the Parliamentary paper No. 118, Sess. 1853, cited in the preceding page), on an average during the same time a *further reserve* of 6 millions (£6,381,342) of British gold and silver coins

ready to meet a run (now so very highly improbable, *v.* p. 34 *ante*) upon it for gold coin: ***over and above which*** it appears from the same paper, that the Bank had on an average during all the same time 9½ millions (9,653,839) ***of Bullion and Foreign Coin***, which, by the Act of 1844, the Bank had been constrained to purchase at £3 : 17 : 9 an ounce.

Those 9½ millions worth of Bullion and Foreign Coin were of so *little*, that it may be said they were of ***no*** avail to meet a run upon the Bank (*v.* p. 36 *ante*). They were therefore a mere ***dead weight***, for which the Bank had ***out*** by constraint of the Act 9½ millions of notes, not only ***yielding no profit, benefit, or advantage*** to the proprietors of the Bank, but, moreover, ***preventing the Directors from employing*** such notes ***for the profit of the Bank***, *v.* p. 40 *ante.*

For a century and a half from 1694, when the Bank was first instituted, till 1844, the Directors of it conducted its affairs, free from ***restraint by law*** as to the amount of notes which they might issue, or as to the quantity of silver bullion which they might hold, and free from ***constraint by law*** as to the ***quantity*** of gold coin or bullion to be provided by them to meet the payment in coin on demand of the notes out or in circulation, without any stoppage of payment, until the year 1797; the ***real*** cause and the ***ostensible*** cause for which stoppage are stated in page 37 *et seq. ante.*

If the effect and operation of the Act of 1844—the impracticability of the purpose of it, declared in its title and preamble, namely, ***the regulation of the issue of Bank-notes payable on demand*** —the mischief of some, and the abortiveness of other of its provisions for that attempted purpose,—be truly stated in the preceding pages, it, surely, is free from doubt that ***such*** Act ought to be repealed.

The first consideration arising on such repeal, naturally is, what powers or privileges should be granted to the proprietors of the Bank of England, and ***for what consideration***—assuming

their continuance incorporated as a *National Bank;* which,—with its present powers, exclusive privileges, and its notes above five pounds made a *State-paper* (by being made legal tender on all occasions on which any tender of money may be lawfully made in England, and therefore made legal tender in England in *payment of all taxes and all the public revenue)*—the Bank of England unquestionably, *in effect*, now is.

During the ten years next after that in which the Act of 1844 was passed, ending with 1854, the Bank had *out*, continually on an average, 20 millions (£20,088,437)* of notes; whereof 14¼ millions (£14,338,035)* were continually *out* (*forced out*) for coin and bullion *yielding no interest or profit to the Bank.*

The amount of notes *out* during those ten years *for interest or profit to the Bank* was therefore 5¾ millions (£5,750,402)† only.

And yet by *re-issues* of its notes (*v.* p. 20, *et seq. ante*), the Directors of the Bank so managed—with the aid only of their 3½ millions £3,537,906)‡ of undivided capital and 3⅜ millions (£3,375,587)‖ called *the Rest*, making collectively with those 5¾ millions of notes an amount of 12½ millions (£12,663,895),‖—as to hold continually on an average during those ten years Public and Private Securities to the amount of 29½ millions (£29,440,052)‖ *carrying interest or profit to the Bank.*

Had those 14¼ millions of notes not been so *forced out* for bullion and kept *out* continually during those ten years *without interest or profit to the Bank*—the whole of them, *minus* only such amount thereof as, in their discretion, the Directors might have held to be necessary to *issue* for *coin*, as a reserve to meet any *run* upon the Bank (made by the Act of 1834, cited in p. 34 *ante*, so very highly improbable), might, and of course would, have been *out*, continually during those ten years, *for interest or profit to the Bank*, without increasing by a single note, the 20 millions

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* *V.* Appx. E, p. viii. † £20,088,437—£14,338,035=£5,750,402.

‡ Capital £14,553,000 minus £11,015,100 lent to the Public=£3,537,900.

‖ Parliamentary papers referred to in note †, p. 78 *ante.*

(£20,088,437)* of notes continually *out* during that time, *v.* p. 40, *ante.*

Yet, under *constraint*, by the Act of 1844, to give out such an amount of notes *yielding no interest or profit to the Bank* for a quantity of coin and bullion worse than useless to the Bank—and under *restraint*, by the same Act, from issuing more than the fanciful sum of 14 millions of notes, without having always in the coffers or vaults of the Bank an amount of *such* coin and bullion equal to any amount of notes *out* ultra 14 millions—the Directors of the Bank during those ten years, and also in the year 1855 made ½ yearly dividends of profits among themselves, and the other proprietors of the Bank, on their capital of 14½ millions (14,553,000), of 8 per cent. per ann. clear of Income-tax, which is more than 8½ (£8 : 11 : 5) per cent. subject to that tax at 1*s.* 4*d.* in the pound—and for the ½ year ending with February last, (1856) have declared a dividend of such profits at the rate of 10 per cent. per ann. clear of Income-tax, which is very nearly 10¾ (£10 : 14 : 2) per cent. subject to such tax.

Besides which, out of *their profits*, the proprietors of the Bank paid to the Public the 180 thousand pounds a-year, by the 8th Sect. of the Act of 1844 made payable *in consideration* of the grant of the exclusive privileges and exemption *sold* by the Public to the Bank; which sum of 180 thousand pounds is very nearly 1¼ (£1 : 4 : 9) per cent. on the capital of 14½ millions (£14,553,000).

The profits of the Bank during the 11 years ended with August 1855, were therefore at the rate of 9¾ (£9 : 16 : 2) per cent. per ann.†—and for the ½ year ended with February last, were at the rate of 12 (£11 : 18 : 11)‡ per cent. per ann.

Seeing that by the exercise of the exclusive privileges and other advantages sold by the Public to the Bank, *such* profits were made by the Corporation, under the *constraint* and *restraint*

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* *V.* Appx. E, p. viii.

	£	s.	d.		£	s.	d.		£	s.	d.	
†	8	11	5	+	1	4	9	=	9	16	2	per cent.
‡	10	14	2	+	1	4	9	=	11	18	11	per cent.

imposed upon it by the Act of 1844—there can be little or no doubt, that with powers and privileges better regulated by law, and with less infringement of the *liberty* and civil rights of their fellow subjects, the proprietors of the Bank might, could and would acquire clear profit of 10 or more per cent. per ann. on a much larger capital than their present capital of 14½ millions (£14,553,000).

The grant to the 2,500 individuals (or whatever the number of them may now be) of the exclusive privileges of Banking in the metropolis, and within a circle having a radius of 65 miles in length round London—of exemption from Stamp-duties—of the liberty (prohibited to all other their fellow-subjects of the Realm) of setting up new Banks (Branch-banks) of Issue in any City, Town, or Place in England*—and to crown all, of having their paper-money made *in effect*, a *State-paper-money*, by being made *legal tender on all occasions on which any tender of money may be made*, and therefore *legal tender* in payment of all debts *due to and by the Crowu, and to and by the Public*, and in payment of all duties and taxes, and of all the

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* The amount of notes issued by all the Private and Joint-Stock Banks in England and Wales, on an average of the ten years ending with 1854 was	£ 6,843,729[a]
And the amount of notes issued by Branches of the Bank of England, established in competition with such Private and Joint-Stock Banks, was	6,527,740[b]
Showing a *demand* for paper-money in the Cities, Towns, and places out of London, in England and Wales, of . .	13,371,469
Notwithstanding *such demand*, the *supply* of it by all such Private and Joint-Stock Banks during those ten years was always less than 8½ millions (£8,651,338), the maximum amount of their issues sanctioned by the Act of 1844 by . . .	1,807,609[a]

Which contraction or *keeping down* of their issues was manifestly caused by the competition with them of the Branch-Banks of England enjoying the vast advantage over them—that while *their* notes *were not and are not*, the notes of the Branch-banks *were and are* legal tender in payment of all debts and taxes and of all the Public revenue.

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[a] Appx. D, p. vi. [b] *Vide* p. 79 *ante*.

Public revenue--merely to create and secure enormous profits to be gathered from their fellow-subjects by those 2,500 individuals—surely may be accounted a singular caprice of the Legislature.

It is not easy to discern any fair pretension of the 400 or 500 foreigners resident abroad, the 590 widows and spinsters, and the 1,500 other persons (or whatever their numbers may now be) composing the corporation of the Bank, for having by Law, had granted *to them* such vast privileges and immunities, in preference to the like number of adults among the 27½ millions of persons composing the population of the United Kingdom —nor any reason why such grant should be continued or renewed to *them*—now that it is determinable *at any time* upon a year's notice given and on repayment of their loan of 11 millions (£11,015,100) to the Public—in preference to any other one of the 68 bands or bodies of Public creditors, to each of which 11 millions are due by the Public, *v.* p. 77 *ante*, and each of which has, therefore, as fair claim to such privileges and immunities, as the band or body composing the corporation of the Bank.

For surely the long enjoyment of enormous profits by the Bank, including the 14 millions (£14,174,622) of *extra profits* (more than 120 per cent. on the capital of the Bank) ultra large ½ yearly dividends on their capital during the stoppage of payment of the Bank for a quarter of a century ending with 1822—will scarcely be admitted as giving the present proprietors of it a *prescriptive* or *inherited* right to have such, or the like, or any profits, now continued to them by a new or renewed grant by the Legislature.

If it be a right opinion that, of late years, the people of the United Kingdom, by savings out of their incomes, have added to their capital 50 millions every year (*v.* p. 11, *ante*), there can be no difficulty in finding from among them parties who, collectively, would contribute a capital of 18 millions,* and

* The notes of the Bank *out*, on an average of the *four weeks* ending 29th December 1855, were 18½ millions (£18,585,551), and on an average of the *six weeks* ending 15th March 1856, were likewise 18½ millions (£18,686,270).

deposit the same with the Public, in consideration of being by law established as a National Bank upon (among any other terms or conditions to be agreed upon) the terms and conditions following, viz:—

1st. That the Public should pay to the Bank half-yearly interest at 2 per cent. per ann. on such capital of 18 millions, on the security of which the Bank should be at liberty to issue and *have out* paper money or notes payable to bearer in coin on demand, to any amount not exceeding 18 millions. Such deposited capital to be holden by the Public, as security for the payment of such notes, and for no other use or purpose whatsoever, and to be applied in payment of such notes, any and every part thereof, in case of failure of the Bank to pay the same in coin on demand.

2ndly. That, in consideration of   pounds per million per ann., to be paid half-yearly by the Public to the Bank, the Bank should manage the unredeemed Public debt, and pay the dividends thereon, under the like regulations and responsibilities as the Bank of England now does.

3rdly. That all monies now by law made payable into the Bank of England should be payable and be paid into the National Bank.

4thly. That of the monies comprised in that item, entered on the debtor side of the account of the Bank of England published weekly in the *London Gazette*, as "Public deposits, "including Exchequer, Savings Banks, Commissioners of Na-"tional Debt, and Dividend Accounts," an account should be made up half-yearly, at weekly rests, and interest on such account at 2 per cent. per ann. be paid half-yearly by the Bank to the Public.

5thly. That the Bank should pay to the Public a moiety of the net amount of all profits, *ultra* 5 *per cent. per ann.*, made by the Bank on such capital of 18 millions.

6thly. That the Bank should issue no note payable to bearer in coin on demand for a less sum than *three pounds*, nor for any sum greater than *three pounds*, other than *five pounds*, or some multiple of *five pounds*.

7thly. That all the notes of the Bank should be valid as a tender for every sum of money promised by them or any of them to be paid, so long as the Bank shall continue to pay on demand its notes in legal coin.

8thly. That there should be no other Bank of Issue in London, or within the Bills of Mortality; and that the notes of no other Bank should be valid in England or Wales, as a tender for any sum of money whatsoever.

9thly. That the Bank should be entitled to establish Branches of itself in any city, town, or place, in England or Wales, upon the same footing as the Branches of the Bank of England are now therein established.

10thly. That the Bank should publish in the *London Gazette* of Friday in every week, *a state of its affairs*, in the form to be given in a schedule to the Act of Parliament sanctioning the establishment of the Bank.

11thly. That if by such account of any week it should appear, that the Bank had issued and had *out* notes in excess of 18 millions, the Bank should, on the Monday following, lodge (in the Exchequer, Treasury, or some office to be named) securities for such excess to the satisfaction of the proper officer or officers; to be returned to the Bank on any Monday to such amount as it should appear by the published account of the week preceding, that the excess of the notes *out* above 18 millions had been reduced by—the intention being, that the Public (having made the notes of the Bank legal tender for all debts, including debts to the Crown, all taxes, and all the Public revenue, and therefore a State paper money) should always hold securities for any amount, but for no more than any amount, of notes which the Bank in any week should *have out in excess of* 18 *millions.*

12thly. That the proprietors of the Bank should be declared, by law, to be responsible for the actions and transactions of the directors of it, or for the dealings of the Bank, no further than *each for his share of the joint-stock.* And that the contract between the Public and the Bank for the establishment of it, should be terminable by *either* party, upon *twelve*

months given after the expiration of   years from the date of the institution of the Bank.

Upon such terms and conditions, it may be remarked:

UPON THE FIRST. That interest of one per cent. per ann on 18 millions is 180 thousand pounds a-year, which is the sum now paid by the Bank of England to the Public as the *price* of its exclusive privileges, etc.

The Bank now receives from the Public, interest at 3 per cent. on the loan of 11 millions (£11,015,100), which is 330 thousand pounds (£330,453) a-year; and, in pursuance of the 7 sec. of the Act of 1844, *pays back* to the Public 180 thousand pounds a-year *out of the sums allowed by the Public to the Bank, for the management of the Public debt.*

It would, surely, have been more simple to have arranged, that so much less interest on the 11 millions should be paid as comes to 180 thousand pounds a-year, and so have avoided such a complication of reckoning and of account.

By this first condition, it is proposed, that the 18 millions of capital, deposited with or lent to the Public, should be dedicated, inflexibly, as a security to the holders of the notes of the Bank *out*, at any and *every time being*. By making such notes legal tender in payment of all debts and taxes, the Public guarantees the payment of all of them; and it is, surely, only reasonable, therefore, that the Public should have and hold security as such guarantee. (At present, the Public, although such guarantee for the notes of the Bank of England, holds no security *as such*; *v.* p. 82, *ante.*) The Bank also would be benefited by *giving* such security; because, *its notes* OUT *at any and every time being so secured*, combined with the quality imparted to them of being legal tender in payment of all debts and taxes, would make a *run* upon the Bank by the holders of them, *upon the ground of distrust of the ability of the Bank to pay them—senseless*, and therefore in the very highest degree improbable.

UPON THE FOURTH. Many private and Joint Stock

Banks allow to their customers interest on their deposits, fluctuating from time to time when the rate of interest fluctuates in the market, but perhaps never (when allowed) less than at the rate of 2 per cent. per ann: and it is not easy to imagine any reason why a Bank, making perhaps *five* or more per cent. per ann. by the use of deposits belonging to the Public, should not allow to the Public (as private and Joint Stock Banks allow to *their* customers) some part of the interest so made.

UPON THE FIFTH.—The establishment of a National Bank seems unquestionably to be a measure of great political expediency and importance, and is, perhaps, an institution of *political necessity*. If such a bank cannot be established, without infringement, and abridgment of *the liberty of the subject*, and such liberty be infringed and curtailed, either *necessarily* or upon the ground of *expediency*, by exclusive privileges conferred upon such Bank—and if, in statesmanship or sound political economy, it be holden better and more for the Public safety, that the management of such a Bank should be committed, rather to a joint-stock company or corporation, than to salaried managers for the Public (who would or might be too much under the influence of any Government of the day, having the appointment of such managers)—it is evidently *not only most reasonable*—that profits, especially large or excessive profits, made by such a Bank, should be shared with the Public, which creates it, and endows it with powers and exclusive privileges, by the exercise of which such profits accrue or are made—but, moreover, *only just*, that some share of such profits, acquired by infringement and abridgment of the liberties of the people, should be reserved to the Public (*i. e., to them*) in exemption, *pro tanto*, from taxation for the Public expenditure.

UPON THE SIXTH. It is clearly most fit and expedient, that paper-money under *some* fixed minimum amount should be prohibited by law. *It would never do*, to allow paper-money to be issued promising to pay a shilling or sixpence. At present *five* pounds is the minimum amount for which paper-money may be lawfully issued or exist in England or Wales—which is *in effect* a provision by law that all payments of and under

fifty shillings shall and must be made in coin. *Vide* p. 72 *ante.*

In Scotland and in Ireland paper-money for *one pound* is allowed by law to be issued and to exist, and therefore all payments of and under *ten shillings* only must be made in coin in those parts of the United Kingdom—whence it follows, that, although such paper-money be not legal tender for *any* payment; yet, that all payments in Scotland and Ireland *might*, and, with the consent of parties, may be made, without the use of any *gold coin*.

It would seem to be highly inexpedient, that the minimum amount promised to be paid in paper-money in England, should be fixed at so small a sum.

With notes limited to a minimum of *three pounds*, no payment of or under *thirty shillings* could be made except in *coin*. Anybody holding a note for *three pounds* would have right to demand and to get three golden sovereigns for it, silver coin not being legal tender for more than *forty shillings*. But it may be found on calculation that with notes of *three pounds* and *five pounds*, any and all payments *above thirty shillings* might, with consent of parties, be made with paper-money, except sums of *two*, *four*, *seven*, and *nineteen* pounds; and that payment of any of those four sums might be paid with paper-money, giving or receiving *one* sovereign *in change*.

If, on full consideration, *three* instead of *five* pounds should be thought not inexpedient to be, and if *three* pounds were fixed by law, as the minimum amount of any paper-money in England and Wales promising to pay coin on demand—the effect would be a great reduction of the *quantity* of the gold coin in the circulating medium, by a lessened demand for it, which would therefore benefit the Public in two ways,—namely, *first*, by conversion of unproductive capital (which coin is) into productive capital; and *secondly*, by saving of loss caused by the wear or abrasion of the coin, which, by the issue and circulation of notes for *three* pounds, would be ejected from the circulating medium. *V.* p. 71 *ante.*

Upon the Seventh. The Public being guarantee for

payment of all the notes of the Bank, and holding security from the Bank for being such guarantee, there would seem to be no objection to *all* the notes of such bank being made by law, "a valid tender for all sums on all occa-"sions in which any tender of money may be lawfully "made, so long as the Bank shall continue to pay its notes in "legal coin"—instead of being, as the notes of the Bank of England now are, *such tender* only for all sums above *five pounds*, which, as the Bank cannot issue any note for *less than five pounds*, is, *in effect*, a limitation of such tender to a sum of not less than *ten pounds*.

Upon the Eighth and Ninth. The notes of such bank, and of no other bank, being made such *legal tender* in England and Wales, it would seem to be sufficient, to confine the exclusive privilege of the issue of bank notes to London and the district round it within the Bills of Mortality. The establishment of branches of such Bank in any city, town, or place in England or Wales—the notes of every such Branch bank being valid as a tender in payment of all debts, taxes, duties of Customs and Excise, and of all the Public revenue, whilst the notes of no private and joint-stock bank are valid as such tender—would give such Branch Banks great advantage, in competition for supply of the demand for paper money in the circulating medium, over all private and Joint Stock Banks—the issues of which now-existing Banks seem to have been restricted or curtailed by the establishment of Branches of the Bank of England (*v.* note, p. 88 *ante.*)

Upon the Eleventh. Should the proposed Bank issue and have *out* notes for more than 18 millions, yet—inasmuch as, for the reasons and considerations aforesaid, security is to be given by the Bank to the Public as guarantee to the holders of *all* notes issued *and out* of the Bank—and inasmuch as the Bank never issues a note but for *some* security carrying interest to the Bank (except for coin or bullion)—no objection can be imagined to this condition; because the securities taken by the Bank for notes issued ultrâ 18 millions (or other good securities to the like amount) would merely be

locked up in some Public chest carrying interest (if any running upon them or any of them) to the Bank, just the same as if such securities were locked up in the coffers of the Bank, to which they would be returned, when and as the excess of issue of its notes above 18 millions were reduced. The only difference would be, that such securities, while in the Public chest, would be dedicated as *security to the holders of the notes of the Bank;* while in the coffers of the Bank they would form only part of its assets as *security to all its creditors.*

UPON THE TWELFTH AND LAST. Although it be commonly considered by proprietors of the Bank of England and others, that the members of the corporation are not responsible for the actions and transactions of the directors of the Bank, or for its dealings, *further than each for his share of the joint-stock or capital of the Bank* (as indeed is alleged in note, p. 49 *ante*), yet it is nevertheless doubted (and by lawyers among others) whether that be really the case. But for the protection of the 590 widows and spinsters (*v.* note ‡, p. 37 *ante*), or whatever their number may be, who hold *Bank-stock*, and for the protection of trustees for married women, widows, and children, and for lunatics, idiots, or other helpless persons, it seems only *reasonable and just*—and (the Public insisting on a publication weekly in the *London Gazette* of the *state of affairs* of the Bank) not *impolitic*, that the holders, and especially *such* holders of Bank-stock should be so protected.

Were seignorage exacted at the Royal Mint for coinage of gold, the gold coin would never be melted nor exported; but would remain *always at home*, doing its office; and it is manifest, —there being once and always a full supply of the demand for *such* coin in the circulating medium, insusceptible of abstraction from it—that such circulating medium would therefore, at any and at all times, be as free from being affected by *efflux of gold*, as by efflux of any other metal by exportation: and also absolutely free from being affected by fluctuation in *Foreign-exchanges.*

A National Bank, framed upon the principles, endowed with the powers, and subject to the restraints propounded, would

perhaps, be as perfect as it is practicable, in the nature of things, to frame such an institution by law. Its paper money would be, *in effect*, a State paper money; and so, *on the one hand*, satisfy the calls of some theorists for *such* a paper money; while, being always payable in coin on demand, it would at the same time, *on the other hand*, satisfy the calls of other theorists known by the *sobriquet* of "Bullionists"—and being so payable could never be issued and *kept out* in excess, and thereby become depreciated in value. *Vide* p. 16 *ante*.

If the year's notice, which, at any time since the 1st of August 1855 might have been given, were given to the Bank of England to determine the contract between the Public and the corporation, and the contract were determined; the assets of the Bank divisible amongst the proprietors on its dissolution, would be as follows, viz.—

The loan from the Bank to the Public repaid . .	£11,015,100
The undivided capital of the Bank, ultra such loan .	3,537,900
And the accumulation of undivided profits, called the Rest	3,375,875*
	£17,928,875 which,

divided among the proprietors, would give to each his share of the capital of £14,553,000, *plus* 23 per cent. on such share, and his share of such further sum as the buildings and furniture, or any premises or property belonging to the Bank would sell for —the present price of *Bank Stock* in the market (founded, of course, on the assumption and belief of the buyer, that the Bank *will not be paid off*, but be continued with great profit to the proprietors, at the cost and loss to the Public as heretofore) being 220 *per cent.* instead of 123 per cent., its worth if the corporation were dissolved.

But such a division of their *assets* among the proprietors of the Bank upon its dissolution at the end of a year's notice now given, could not be effected, except a sale could be made

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* On an average of the ten years ending with 1854. Parliamentary papers referred to in note †, p. 78 *ante*.

at the *estimated* price (set upon it in the account of those assets), of the annuity of £585,740, for the purchase of which the Directors of the Bank, in the year 1823, insanely agreed to give out, and afterwards gave out, and the Government of 1823 insanely took, their notes payable in coin on demand for 13 millions (£13,092,419).

On the credit side of the weekly state of its affairs published by the Bank there is the following item, viz.—" Government Securities, including Dead Weight Annuity;" the whole amount of which item forms part of the assets of the Bank; and in it is included a value set by the Directors on such annuity, but how much is not shown in such weekly account.

The Bank having resumed payment of its notes in cash in the year 1822, after its stoppage of such payment for the quarter of a century ending in that year; it is not going too far to say, that if the Government and the Directors of the Bank of the year 1823 (the very next year after the resumption of payment of its notes in cash) had concerted to cause another and new stoppage of payment of the Bank, they could not well have devised a scheme or transaction more likely to *effect* such a purpose, than the sale and purchase of that annuity; which being an *inconvertible asset* of the Bank, for which 13 millions (£13,092,419) of its notes were given *out*, and for which more than 5 millions *are now out*, is therefore most appropriately called THE DEAD WEIGHT ANNUITY.*

The unexpired term of it on the 5th of April 1857, will be *ten* years. Its value in present money on that day ~~by the Carlisle Tables~~ interest at 3 per cent. will therefore be 5 millions (£4,996,469). But the proprietors of the Bank, on and after its supposed dissolution, could only divide among themselves that annuity of £585,740, half-yearly as it came in, until the 5th of April 1867—unless they could effect a sale of it, in which case they could at once divide the price obtained for it.

The proprietors of the Bank—seeing their Stock selling in the market at 220 per cent., and that upon a dissolution of the

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* See Appendix H, p. xix.

Bank they could realize and receive for it only 123 per cent., *plus* the price of the Bank buildings, etc.—would, no doubt, eagerly close with a fair proposal of the Government to be continued as a National Bank, instead of being paid off with money subscribed by a new company—the rather, because the Bank of England could pay over or deposit the proposed sum of 18 millions of capital without difficulty, inasmuch as their present capital is £14,553,000

And the fund of accumulated profits called the Rest 3,375,875*

£17,928,870*

which is only 71 thousand pounds (£71,130) less than 18 millions.

Towards the creation of that fund of £17,928,870 the contributions *in money* by the proprietors of the Bank were only 11½ millions (£11,642,400), the amount of their capital in the year 1816—all the rest of such fund, viz., 6¼ millions (£6,286,470) being *part* of *extra profits* made at the cost and loss of the Public; *ultrà* extravagant half-yearly dividends made, "and bonuses" from time to time distributed, amongst themselves by such proprietors. *V.* N.B. in Note, p. 39 *ante.*

By the 8th and 9th of the Queen, c. 37, anno 1845, Bank of England notes are prohibited from being *legal tender* in Ireland; and by the then next following Act (c. 38) are prohibited from being *legal tender* in Scotland; and, by those two several Acts, Bank-notes for any fractional part of *one pound* are prohibited in each of those countries.

In Scotland and in Ireland *coin* is therefore the only legal tender for any payment. Should it be thought expedient, and wise in political economy, to establish in London, with Branches in England and Wales, a National Bank for England on the plan hereinbefore suggested—there seems to be no reason why a Bank on a similar plan or footing should not be established in Edinburgh for Scotland, and in Dublin for Ireland, the notes

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* *Vide* note, p. 97 *ante.*

of which should be legal tender for all payments in Scotland and in Ireland respectively.

With respect to Private and Joint-stock Banks—instead of limiting by law the number of them to the number existing in the country at any given time, and giving to *that number* a monopoly of the issue of paper-money in their several localities, as is *effected* by the Act of 1844; and of imposing upon them, severally, a maximum of the issue of paper-money payable in coin on demand, as is imposed (but *inoperatively*, *v.* p. 18 *ante*) upon them by that Act—it would seem to be better statesmanship, or policy, to allow the establishment of *any* Bank of issue in England (out of London and not within the Bills of Mortality around it), provided a deposit by every such Bank were made with the Public of a sum equal in amount to the amount of the issue of paper-money by each and every such Bank,—carrying interest to the Bank at the rate of   per cent. per ann. either fixed for a term, or at a rate to be varied according to the fluctuation of the rate of interest in the market, as might be agreed upon,—such deposit, to be holden as a security for such paper-money, and to be increased or decreased in amount in the same manner as proposed with respect to the Bank of England at pp. 91, 95 *ante*, so as always to be equal in amount to the amount of the issue of the notes of every Bank, according to the account of its issue published weekly (as now) in the *London Gazette*, and to be resorted to in case of failure of the Bank to pay its notes in coin on demand.

If Banks of issue in Scotland and in Ireland were permitted by law to be established upon the same footing as suggested for such Banks in England, with such variation, if any, as might be deemed requisite in those countries respectively,—*all* the paper-money of the United Kingdom would be *secured in payment* to every holder of any and every part of it, at any and every time being, which would be a Public benefit that may truly be called inestimable.

To give such security would, at the same time, be no hardship upon any Bank; because, by the issue of paper-money (always issued only for interest) equal in amount to its *deposited* capital, the Bank would *create* a substituted fund of the same amount, and get interest upon it in addition to the interest to be received from the Public on the *deposited* capital, on the security of which such *substituted* fund would be created —and a Bank, by *reissues* of its paper-money, *may* get double or treble or more than double or treble interest, on part or parts, or on the whole of it, *v.* p. 20 *et seq. ante.*

That Private and Joint-stock Banks would eagerly enter into such an arrangement with the Public is free from doubt: and no such Bank would deserve to be sanctioned by law which could not or would not do so.

The outlines of a general system of law applicable to Banks of Issue are thus propounded. But the purpose of this paper is not to deviate into detail of any *system*, but to endeavour to throw light on the subject of the *circulating medium* of the United Kingdom, on which many and various inconsistent theories are afloat. If the facts and figures,—diligently, cautiously, laboriously, and *disinterestedly* collected, from which that light is cast,—be truly stated, and so marshalled as to be of avail in dispelling errors and delusions which are prevalent and inveterate on the subject; and shall attract to, and aid in the consideration of it, minds of more powerful grasp than the mind of the labourer, his labour will be amply requited: for it is a subject which involves, not only the well-being and well-doing of the commonwealth, but moreover vital interests of the Realm.

APPENDIX.

APPENDIX.

APPENDIX A, pp. 2-14.

Aggregate Amount of all Promissory Notes of the Banks of England and Ireland, and of all Private and Joint Stock Banks, in circulation in the United Kingdom, for ten years ended with the year 1854.

	£.		£.
1845.	39,684,020	Average of these two years .	. 39,667,542
6.	39,651,064		
7.	37,311,903	Amount this year (of panic)	. 37,311,903
8.	33,339,723	Average of these four years	. 33,925,808
9.	33,131,095		
1850.	34,685,721		
1.	34,546,696		
2.	37,800,125	Average of these three years	. 39,302,865
3.	40,327,820		
4.	39,780,651		
	£370,258,818	÷ 10, Average of the ten years	£37,025,882

The above figures are taken from the Parliamentary Papers No. 70, Sess. 1850; No. 953, Sess. 1853, and No. 173, Sess. 1855.

APPENDIX B, pp. 9, 10.

Revenue and Expenditure of the United Kingdom for ten years ended with the year 1853.

Years.	Revenue received into the Exchequer. Ordinary.	Extraordinary.	Total.	Charge of Debt.	Surplus.	Excess of Income over Expenditure.	Excess of Expenditure over Income.
	£	£	£	£	£	£	£
1844	33,317,092	686,661	54,003,753	30,495,459	23,508,294	3,356,105	
5	51,719,118	1,341,236	53,060,354	28,253,872	24,806,482	3,817,642	
6	52,950,202	839,936	53,790,138	28,077,987	25,712,151	2,846,308	
7	51,340,801	205,463	51,546,264	28,141,531	23,404,733	———	2,956,684
8	52,422,338	966,379	53,388,717	28,563,417	24,825,300	———	776,419
9	52,310,768	640,981	52,951,749	28,363,961	24,587,788	2,098,126	
1850	52,177,141	633,539	52,810,680	28,091,590	24,719,090	2,578,806	
1	51,669,553	563,453	52,233,006	28,017,127	24,215,879	2,726,396	
2	52,447,099	762,972	53,210,071	27,934,533	25,275,538	2,417,559	
3	53,591,178	839,166	54,430,344	27,804,844	26,625,500	3,255,505	
10)	523,945,290	7,479,786	531,425,076	283,744,321	247,680,755	23,096,447	3,753,103
						3,753,103	
£	52,394,529	747,979	53,142,508	28,374,432			
					19,343,344	19,343,344	
				10)	228,337,411		
				Expenditure, ultra charge of Debt	£22,833,741	a-year.	

The above figures for the years 1844 to 1852 inclusive, are taken from the Parliamentary paper No. 318, Sess. 1853, and for the year 1853 from such paper, No. 1, Sess. 1854.

APPENDIX C, NOTE †, PAGE 10.

IT is not strictly accurate to say, that all taxes in the United Kingdom are paid out of the incomes of the people as stated in the text; for the taxes on probates of wills, on letters of administration, on legacies, and on all personal estate passing under the statute of distributions, and the tax lately imposed on successions, including succession to real estate, are for the most part, if not all, paid, not out of *income*, but out of *capital;* and are, in effect, forfeitures or confiscations of capital on alienation by death. It is foreign to the subject in hand to discuss the injustice and impolicy of such taxes, which in the year ended 5th January 1854 produced 2½ millions;* but that the imposition of them is justified by no *necessity* becomes manifest when it is considered—that, in the country in which *such* taxes are imposed, 5¾ millions a-year are spent on *tobacco and snuff*† (which is within a few pounds equal to the amount of the revenue which was derived from the income tax at 7 pence in the pound, *v.* note †, p. 10, *ante*) and 21¾ millions a-year on spirits‡ (which is 3.79, or nearly four times the amount of the revenue which was derived from that income tax)—and that 34½ millions

* £2,442,632. Finance Accounts, 1854, p. 41.

† 28,558,753 pounds charged with duty for home-consumption, (Parliamentary Paper No. 583, Sess. 1853), at the low estimated price to the consumer of 4 shillings a-pound on the average, cost £5,711,750.

	Gallons.	
‡ British	25,883,584	
Foreign	1,901,549	31,011,727 gallons of all kinds charged with duty for home-consumption (such Paper, No.
Colonial	3,226,594	

178, Sess. 1855), at the low estimated price to the consumer of 14 shillings a gallon on the average, cost £21,708,208—which is only about one million less than the whole annual expenditure of the United Kingdom, minus the charge of the public debt, on an average of the ten years ended with 1853, viz: £22,833,741. V. Appendix B.

a-year of taxes, almost all paid out of *income*, have been abrogated since the end of the last war in 1815*—and consequently that *now*, any one, from the Peer or member of parliament downwards, will look in vain, on his person or that of any of his family, from hat or bonnet to shoe-tie; or in any apartment of his house, from kitchen to garret, for a single article not consumed *viâ* the mouth (except it be of *foreign-manufactured* silk) which is taxed—whereas, before the repeal of those 34½ millions a-year of taxes since 1815, he could not make such a survey, and look upon almost *any* thing which was not taxed.

By such abrogation of taxes, according to the whim or fancy of the prime minister and party politicians forming his cabinet of the day,† a deficiency of revenue to meet the public expenditure was created, continually increasing *de anno in annum* for six successive years, in time of peace and public prosperity, till it amounted to 4 millions a year.‡

If—instead of that senseless, selfish, unpatriotic, and, towards the public creditors holders of *stock*, treacherous, course of proceeding—only 5 of the 34½ millions a-year of the

	Repealed or Reduced.	Imposed.	Loss to the Revenue.	
	£	£	£	
* Customs .	15,646,337	3,896,041	11,750,296	Parliamentary Papers, No. 361, Sess. 1845, and No. 714, Sess. 1848.
Excise . .	15,318,400	4,188,420	11,129,980	
Stamps . .	1,224,038	214,221	1,009,817	
Assessed Taxes	5,557,930	315,011	5,242,919	
Not so arranged	5,060,709	600,084	4,460,625	Such Paper, No. 318, Sess. 1853.
	42,807,414	9,213,777	33,593,637	
Soap on an average of 3 years ended with 1852.			1,078,315	Finance Accounts for those years.
			£34,671,952	

† "The crafty and insidious animal called a politician."—*Dr. Adam Smith.*

	£	
‡ 1837	655,760	Finance Accounts for these years, No. 4, p. 14, in each year.
8	345,228	
9	1,412,792	
1840	1,593,970	
1	2,091,369	
2	3,979,538	

abrogated taxes had been retained—(an annual charge which it may surely be truly said would scarcely have been *felt** by a people spending 27½ millions a year on *spirits and tobacco*)—there would by such fund—inflexibly applied and operating at interest of only 3 per cent. per ann. for the 40 years since the peace of 1815—have been redeemed 377 millions of the public debt *now* carrying a charge at 3 per cent. of more than 11 millions (£11,310,000) a year, which is all but double the amount of the revenue (£5,730,458, *v.* note, p. 10, *ante*) which was derived from the income-tax at seven pence in the pound.

	£	
* Spirits	21,708,208	27,419,958. Notes † ‡, p. iii, *ante*.
Tobacco	5,711,750	

APPENDIX D. Pages 18, 19.

By the Parliamentary Paper, No. 318, Sess. 1845, it appears that the amount of all the notes, *out* or in circulation, of all the private and joint stock banks of issue in England and Wales, 270 in number,* during the 12 weeks preceding 27th of April 1844, was £8,651,338

That is the maximum amount of notes, which, by the 13th sect. of the Act of the 7th and 8th of the Queen, cap. 32, it was made lawful for all such private and joint stock banks, collectively, to have *out* or in circulation at anytime, on an average of *any* four weeks, *after* the 10th of October 1844.

The amounts which they actually had out or in circulation, on an average of their returns made in pursuance of the Act and published weekly in the *London Gazette*—during the ten years from 1845 to 1854, both inclusive, were as follows, viz.—

In the year ending 6 Dec.	1845	£7,628,175	
5 „	1846	7,740,763	
4 „	1847	7,485,672	
30 „	1848	6,745,082	
29 „	1849	6,199,201	
28 „	1850	6,323,449	
27 „	1851	6,210,172	
25 „	1852	6,418,933	
24 „	1853	6,855,169	
23 „	1854	6,830,674	
		£68,437,290 ÷ 10 =	6,843,729

The amount of such notes *out* was therefore always under the maximum amount, on an average during those ten years by . . £1,807,609

* *London Gazette*, 29th October, 1844.

The foregoing figures are taken from the Parliamentary Papers, No. 70, Sess. 1850; No. 953, Sess. 1853; and No. 173, Sess. 1855.

By such paper, No. 70, Sess. 1855, it appears that 46 of the 270 banks of issue, existing at the time of passing the Act ceased subsequently thereto to issue their notes; and that the amount of their circulation was £705,092.

Such banks, and all banks ceasing to issue their notes, being by sect. 12 of the Act prohibited from resuming the issue of them—the above two sums of £8,651,338 and of £1,807,609, are reducible and became reduced, by that sum of £705,092 on 5th of February last (1855), the date of the return. It does not show the years in which those 46 banks, severally and respectively, ceased to issue their notes; which as affecting the case stated and the reasoning in the text, is not material; inasmuch as the amount of notes issued by the other 224 banks, which, since the passing of the Act, have continued to issue their notes, has been always more than a million under the maximum or fixed issue of such banks, viz. £1,807,609—£705,092=£1,102,517.

APPENDIX E. Bank of England. Page 19.

Years.	Notes.			Bullion.			Gold and Silver Coin in the Banking Department.
	Issuable.	Out in Circulation.	Surplus not Issued.	Gold.	Silver.	Total.	
	£	£	£	£	£	£	£
1845	28,617,635	20,741,668	7,875,967	11,866,467	1,895,842	13,762,309	626,018
6	28,163,111	20,285,703	7,877,408	11,994,246	2,168,863	14,163,109	621,574
7	23,765,159	19,154,735	4,610,424	8,391,560	1,373,599	9,765,159	662,486
8	27,195,470	18,087,104	9,108,366	12,070,399	1,125,059	13,195,458	676,835
9	28,089,008	18,172,745	9,916,263	13,983,605	336,172	14,319,777	841,617
1850	29,943,433	19,398,876	10,544,557	15,554,645	194,749	15,749,394	692,334
1	27,939,159	19,472,616	8,466,543	13,905,355	33,804	13,939,159	624,493
2	34,078,558	22,048,535	12,030,023	20,050,663	27,895	20,078,558	507,648
3	30,983,780	22,620,691	8,363,089	15,084,694	19,154	15,103,848	532,406
4	27,495,887	20,901,695	6,594,192	13,303,579	———	13,303,579	693,981
10)	286,271,200	200,884,368	85,386,832	136,205,213	7,175,137	143,380,350	6,479,392
£	28,627,120	20,088,437	8,538,683	13,620,521	717,514	14,338,035	647,939

The above figures are taken from the same Parliamentary Papers as the figures in Appendix A, p. i.

APPENDIX F, Page 53.

On the Coins and Money of England.

Silver coins were for many ages the money of highest denomination, in use in England; but when the wealth of the country became greatly increased, gold coins were issued, and are now for all payments above *forty shillings* and not exceeding *five pounds*, the only lawful coin of the realm.*

A *pound* is a denomination of money which (until the latter end of the reign of King George III, when *sovereigns* were first coined) never existed in a single coin in England. It is the highest denomination of our money of account, and originally was a pound troy-*weight*, of which $11\frac{1}{8}$ ounces were silver, and $\frac{7}{8}$ of an ounce copper.

A pound *sterling*† was a pound troy in *weight* of that composition, which, during the reign of William I, and for about two centuries thereafter, was coined into *twenty* pieces, called *shillings;* or into *two hundred and forty pieces*, called *pennies;* each penny weighing, therefore, that division of the goldsmith's pound-troy, still called a *penny-weight.*

Those coins passed by *tale*, twenty shillings to the pound; and the pennies by *tale* twelve to the shilling.

The pound of such silver came afterwards, in process of time, to be coined into *sixty-two* pieces, called shillings; *twenty* of these degraded shillings, by *tale*, continuing to be, and being now *called* a *pound sterling.*

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* By the 3rd and 4th of William IV, cap. 98, anno 1834, the notes of the Bank of England were made lawful tender in payment of all sums *above five pounds*, v. p. 34 *ante*.

† Dr. Johnson, in his Dictionary, defines "*Sterling*" as "Genuine, that hath passed the test."

Such alteration in the division at their mints, of the pound of sterling silver, was effected by the Monarchs; from Edward I, who, in the 28th year of his reign, *first* debased the coin—to Elizabeth, who, in the 43rd year of her reign, *last* debased it.—That debasement therefore was effected in the three centuries, from 1301 to 1601. During the two centuries and a half which have elapsed since the 43rd of Elizabeth, the division at the mint of the pound of sterling silver has, by *law*, remained in *effect* unaltered.*

That the succession of frauds at the English mint, whereby the weight and value of the pound sterling were reduced, by more than *two-thirds* (20 of the 62 shillings not being *one-third* of a pound Troy-weight)—could not have been perpetrated at one stroke, without risk of rebellion or revolution, will be evident to any one, who will consider how a law would at this day be received, which should *now*, *all at once*, degrade a sovereign to the size and consequently to the value of a *six-and-eight-penny piece*—still calling the degraded coin a *sovereign;* and making it lawful tender, as and for a *sovereign*, in fulfilment of all contracts and in payment of all debts.

Such a degradation of the *sovereign*, would not be quite so great a degradation, as the *pound* sterling underwent in the three centuries between the 28th of Edward I and the 43rd of Elizabeth.

After such a law, all *debtors* would pay their *creditors* in money *one-third* of the value of that in which their debts were contracted. All *creditors* would therefore, by such a law, be defrauded of *two-thirds* of the debts due to them.

A *six-and-eightpenny piece* being not only called by the *name* of, but being moreover made legal tender for payment of, every

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* The pound of silver has, in point of *fact*, since the year 1816, been coined into 66 shillings, of which 20 by *tale* pass by law for a *pound sterling*. But four of those 66 shillings being taken at the mint for seignorage on the coin, the 62 lighter shillings which have paid such seignorage become, and are, of the same value *within the United Kingdom* as the 62 heavier shillings, for coinage of which no seignorage was paid; *that*, therefore, was no *debasement* of the coin, but, on the contrary, a just and wise amendment of the constitution of it, as shown in preceding passages in this paper.

debt of a *pound*—the money-rents of lands and tenements holden upon leases—quit and other fixed rents, and all *fixed* incomes, including the dividends on the public-debt—would, by such a law, be reduced by *two-thirds in value.* Every *pound* of them would continue dischargeable only on payment of a *sovereign*—but the *sovereign* would be reduced to the size and value of a *six-and-eightpenny piece.*

On the other hand, the *price* of all the necessaries, comforts, conveniences, and luxuries of life, and of *all commodities* would (*cæteris paribus*) be trebled—they would not cost more *gold*—but would cost *thrice as many sovereigns* as before the supposed degradation of that coin.

It is not easy to conceive how public indignation might be *expressed*, against a law so flagrantly iniquitous, or how much distress and misery it would occasion: but after it had produced its full effect, no more evil would result from it. The *next* generation and their successors would (*cæteris paribus*) only reckon the value of *their* commodities at *thrice* the sum which the last generation did—the money-rents of lands and tenements—the price of provisions and of all commodities would be reckoned in *thrice* the number of coins, but in the same *quantity of gold*, as by the *last* generation.

The interest or dividends on the public stocks would become payable in those degraded sovereigns. New purchasers of such stocks would not suffer by the change, because *they* would pay for their stock with money *similar* to that in which the dividends thereon would be paid to them.

But the *holders of the stocks* at the time of such degradation, would be defrauded of *two-thirds* of their property therein, both principal and interest. The public debt of 800 millions of *old* sovereigns, of the value of *twenty shillings* each, would become payable with 800 millions of *new* sovereigns, of the value of *six shillings and eight pence* each.

The degradation of the pound sterling to less than one-third of its value by the Sovereigns, whose reigns were tarnished by such acts, for the purpose of defrauding their creditors, was therefore effected, not at one stroke, but step by step.

The following is a brief summary, taken from Lord Liverpool's "Letter to the King" (George III), "on the Coins of the Realm," showing the perfidy of different monarchs in their dealings with the *pound sterling.*

				s.	*d.*
1.	Edward I, in the 28th year of his reign, coined a pound in weight of sterling silver		into	20	3
2.	Edward III, in the 18th year of his reign		into	22	2
3.		—— 20th	into	22	6
4.		—— 27th	into	25	0
5.	Henry IV	—— 13th	into	30	0
6.	Edward IV	—— 4th	into	37	6
7.	Henry VIII	—— 18th	into	45	0
8.	Elizabeth,	in the 23rd year of her reign	into	60	0
9.		and in the 43rd	into	62	0

Wherefrom it appears, that the debasement of the coin, from the reign of Edward I down to that of Elizabeth, was by more than *two-thirds* of its weight and value—20 of the 62 shillings, not being *one-third* of a pound Troy-weight.

Lord Liverpool gives an account of several propositions made in subsequent reigns for further debasing the silver coins, which were all rejected.

By the foregoing table it appears, that the greatest increase of debasement of the coin by any single Monarch before Elizabeth, did not exceed *seven shillings and sixpence* in the *pound;* while that Queen increased such debasement by no less than *seventeen shillings in the pound.* It is not easy therefore to discern her *title* to the merit which is said to have been ascribed to her, for her dealings with the coin of her Realm, as thus stated in the letter of Lord Liverpool.

"The Parliament and People, in their addresses to Queen "Elizabeth, always mentioned the reformation of the Coin, "after that of religion, as one of the principal merits of her "reign, and it is recorded as such in the epitaph on her tomb." Lord Liverpool adds, that her historian Camden, speaking of that measure, distinguished it as "*Magnum sane et memorandum* "*quod neque Edwardus potuit, nec Maria ausa.*"

APPENDIX G, PAGE 58.

On the depreciation of the paper-money issued by the Bank of England during its stoppage of payment, from 1797 *till* 1822.

As coin has no value, except what it derives from the quantity of precious metal contained in it and the cost of the seignorage upon it—so, paper-money has no value, except what it derives from being a true representative of the quantity of coin promissory by it to be paid.

A pound of standard gold used formerly to be coined at the English Mint into 44½ guineas, or £46 : 14 : 6, and is now coined into sovereigns of that value. Whoever possesses £46 : 14 : 6 of the gold coin of England, is the possessor of a pound Troy-weight of gold. £46 : 14 : 6 is another *name* for a pound weight of sterling gold.*

There is, perhaps, *no* mode in which paper-money can be secured from depreciation, except by the holder being able always, at pleasure, to obtain *on demand* from the grantor of the paper, the quantity of coin promissory by it to be paid; or if there be indeed, any other mode, there is at least none so satisfactory and so conclusive.

That was always the case with the paper-money of the

* The word *Sterling* after gold is, for the sake of brevity, frequently omitted in these pages.

Bank of England, from its institution in 1694 until its stoppage of payment in 1797 : and such is now, and has been, the case since the Bank resumed payment in 1822.

But during that stoppage of payment, if the possessor of notes of the Bank promissory to pay £46 : 14 : 6, or a pound-weight of gold, offered such notes for payment *on demand*, according to their tenor—he was presented at the Bank with an Act of Parliament prohibiting such payment *until the end of the war*—that is to say, for *an indefinite time*.

If he wanted the pound of gold, he was, therefore, under the necessity of taking to *market* this *promise of the Bank* to pay him that weight nominally on demand, *but with payment deferred by law until the end of the war*—when he found, that all that could *there* be obtained for this promise to pay a pound of gold *some day or other*, was three-quarters or two-thirds of a pound, *ready weight;* more or less, according to the value, *i. e.*, according to the depreciation of the notes, in the market.

That difference of value the Bank directors and supporters of the non-depreciation doctrine attributed to a *rise in the price of gold*. Gold (said they) has risen in price, for the notes of the Bank promissory to pay gold at the end of the war, are no longer worth the quantity of gold, *ready weight*, promised to be *then* paid by them!!!

In the year 1813, when the price of *gold* had advanced from the *Mint-price* of £3 : 17 : 10½ to the *market-price in Bank notes* of £5 : 10*—and the Bank paper had reached its greatest depreciation, the possessor of notes of the Bank promissory to pay £46 : 14 : 6, or a pound of gold, *at the end of the war*,—so far from being able to obtain that pound, *ready weight*, for such promise *then* to pay it, was obliged to give—for the pound of gold, *ready weight*—£66 in such notes, promissory to pay *at the end of the war* a *pound and more than two-fifths of a pound*.

Statutes were, indeed, passed by the Legislature, by which it was made a misdemeanour to give or receive less of the Royal coin, for the notes of the Bank, than the quantity of

* Parliamentary Paper, No. 282, Sess. 1819, pp. 306-7.

such coin promissory by them, to be paid *at the end of the war! !**

It is needless to observe that such statutes were futile, not to say absurd and ridiculous, as all statutes which affect to overrule or control the laws and order of nature ever were, and ever must be.

But in as far as they affected to fix the value of the gold coin, they soon had reference only to a *nonentity;* for all gold coin necessarily disappeared from the circulating medium of Great Britain, when by melting it, every pound, and every greater and less quantity in proportion, was raised in value from £46: 14 : 6 to £66, in payment of existing debts.

Any quantity of gold, as long as it remained COIN, was, under penalty of misdemeanour by those Statutes, legal tender for no more than notes of the Bank promissory to pay a like quantity of coin at the end of the war,—it being absurdly supposed that, by such laws, the bank note would be maintained of the same value as the coin *promised* by it to be paid—instead of the coin being thereby brought down, as in

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* By the 52nd of George III, cap. 50, anno 1812, it was enacted by section 1, "That if any person shall receive or pay for any gold coin lawfully cur- " rent within the United Kingdom any more in value, benefit, profit, or advant- " age than the lawful value which such coin doth by its denomination import " —whether such benefit, profit, or advantage be paid, made, or taken in lawful " money, or in any note or notes of the Bank of England, or in any silver " token or tokens issued by the Bank, or by any other means, device, shift, or " contrivance whatsoever—every such person shall be deemed and adjudged " guilty of a misdemeanour, and, being convicted thereof, shall suffer six " months' imprisonment; and if afterwards convicted of the same offence shall " suffer one year's imprisonment; and if convicted of any subsequent offence " shall suffer two years' imprisonment for every such subsequent offence;" and by section 5, " That if any person shall by any means, device, shift, or contriv- " ance, receive or pay any note or notes of the Bank of England for less than " the amount of lawful money expressed therein and to be thereby made pay- " able, every such person shall be deemed and adjudged guilty of a misdemea- " nour—and being convicted thereof, shall be subject to a fine of double the " amount of the sum specified in such note or notes and made payable thereby, " and shall suffer imprisonment for a time not exceeding two months." Which Act was continued by the 54th of George III, cap. 52, anno 1814, *to be in force during the continuance of any Act imposing any restriction on the Bank of England with respect to payments in Cash.*

fact it was (as far as it could be *by law*) to the value of the bank note.

A pound weight of gold, when it cost £66 in the market, was *legally* of the same *price*, whether it were paid for in guineas or in bank notes—the guinea, so long as it remained a *guinea*, being *legally* exchangeable for no more than a bank note for one pound and a shilling. It requires, however, no great stretch of credulity to believe, that nobody ever, in fact, paid £66 *in guineas* for a pound weight of gold; or, in other words, *that nobody ever gave* a pound and more than two-fifths of a pound weight of gold, for a pound weight only, of metal similar in all respects *except the coinage.*

Here, then, is in one scale of a balance, a pound of guineas, and in the other scale a pound of uncoined gold or bullion, of equal fineness—two things exactly similar (the coinage having cost nothing) in all the qualities constituting their value. One of those pounds legally exchangeable for £66 in *notes of the Bank of England*, and the other for £46 : 14 : 6 only of the *same notes*—the pound weight of guineas being *by law* of no more value than the bank notes for £46 : 14 : 6.

Break the fetters of the law—*melt* the pound weight of guineas, and it immediately becomes, by conversion into bullion, *legally* of the value of £66 in bank notes. Has a miracle been performed in the melting pot? Melt the bullion—will it come out of the crucible changed in value in any respect?

Again, coin the pound of bullion, and it sinks in *legal* value from £66 in bank notes to £46 : 14 : 6 of the same notes. Who, it may be asked, would ever subject his gold to *such a transmutation?*

Once more—a pound weight of uncoined sterling gold, *legally in the morning* worth £66 in bank notes, is taken to the Royal Mint, and being there coined, comes out in the *afternoon legally* worth only £46 : 14 : 6 in such notes—and yet the gold is the same identical gold, and the notes part of the same identical notes!!

Did the Directors of the Bank and the Minister of the

day *not know* the cause of this effect on the value of *gold*, by its being converted into *coin* at the Royal Mint?

The cause which was assigned by *them* for this effect was *a rise in the price of gold.* To the owner of that metal, however, who should take to the Mint gold, worth £66 *in the morning*, and have it converted into coin, worth £46 : 14 : 6 *in the afternoon*, it would, surely, be *a fall in the value of his gold*—viz. a fall of more than 26½ per cent in a few hours!!—a fall occasioned by having his gold, *ready weight*, brought down by law, *by undergoing coinage*, to the value of the same quantity of gold, *promissory by the Bank to be paid at the end of the war.**

Surely it were needless to accumulate other facts or to offer further argument to show that bank notes were, *in such a state of things*, depreciated. If notes of the Bank of England, not payable for an indefinite time, were capable of being made by *statute* equal *in value* to the quantity of gold promissory to be paid by them *some day or other*, and the Corporation of the Bank might issue such notes in quantity *ad libitum*, without any depreciation of their value, the Legislature and the Directors of the Bank in co-operation would be indeed alchymists, although of a new kind.

The Public loss, and the distress and ruin of private individuals and of families inflicted by the Directors of the Bank (incited by the *lucri sacra fames*) by the issue of depreciated paper-money during its stoppage of payment for the quarter

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* Much confusion has been introduced into disquisitions on this subject, for want of a more accurate distinction being made between the terms, *value* and *price.*

Even the reference by the House of Commons to its memorable select committee, was "to inquire into the cause of the *high price* of gold bullion," thereby assuming, that gold bullion then bore a *high price;* while, in fact, gold bullion, bore at that time, no higher price than it had borne for two centuries theretofore, *excepting only in exchange for the notes of the Bank.*

The reference should have been "to inquire into the cause of the difference between the *value* of gold in bullion and gold in coin in the United Kingdom."

Considering the statements in the text, surely there could have been no doubt of the fact of the existence of such a difference.

of a century, from 1797 till 1822, may too truly be said to be incalculable and most deplorable.

It would, however, answer no good purpose now to expatiate on such miseries—but it was a bitter aggravation of them to be told, as was frequently alleged both in and out of Parliament, that the Corporation of the Bank, which—while *under stoppage of payment for a quarter of a century* (foraging all that time from the Public most enormous and most undue profits)*—caused ills, so grievous, so extensive, and alas! irreparable—was the prop and support of the Nation, of which during that time it was a curse and the bane.

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* In the note, p. 39 *ante,* it is shown—that in the 25 years during which the Bank was *under stoppage of payment of its notes,* there were divided among the proprietors of it, 14 *millions* (£14,174,622) of profits, ultra dividends on their capital of 7 per cent per ann. from 1797 till 1816, and thereafter of 10 per cent per ann.—which extra profits on their capital in 1797 of 11½ millions (£11,642,400), made more than 120 per cent. of *such* profits on that capital."

APPENDIX H, Page 98.

The Dead Weight Annuity.

In the year 1822 an Act of Parliament (3rd Geo. IV, c. 51) was passed " For apportioning the burden occasioned by the " Military and Naval pensions and Civil superannuations by " vesting an equal annuity in Trustees for the payment thereof."

That burden in 1822 was stated by the Government to be then *five* millions a-year,* which would, of course, diminish yearly as the pensioners and annuitants *died off*, until the death of the last of them, when the whole charge would cease.

It was calculated *upon the expectation of life* of those pensioners and annuitants,* that by the sale of an annuity of £2,800,000 for 45 years in parts or portions as wanted, that the five millions for the first year 1823, and the sums less than that amount for every succeeding year could be raised—and so the scheme be effected; whereby the Public of the year 1823 would be charged with £2,800,000, instead of with 5 millions, and the Public of each succeeding year with that annuity of £2,800,000, instead of with the annually decreasing charge of the pensions and annuities until the year 1867, the last of the term; when the Public of that year would be charged with £2,800,000, instead of with *nothing* for such pensions and annuities, if the lives of *all* the pensioners and annuitants had then expired, as was more than probable, they being almost all of advanced age in 1823.

But the scheme was all but a failure, for no part of such contemplated annuity was (Query, could be?) sold, except £585,740, part thereof, which the Bank of England by agreement of the 27th March 1823 (confirmed by 4th Geo. IV, c. 22) bargained to take for 44 years (remainder of the term of 45 years expiring 5th April 1867), and in consideration for such annuity

* Hansard, vol. 7, New Series, p. 282.

stipulated to pay into the Exchequer 13 millions (£13,092,419), in specified sums or portions at fixed times within 5¼ years—the first payment to be made 15th April 1823, and the last on the 15th July 1828;* which payments were accordingly made in notes of the Bank; the Bank having then no other means of making such payments *except* "The Rest" of £3,375,875. *V.* p. 97 *ante.*

The *Public* was thus to be *relieved, pro tanto,* of the unequal burden of the charge in question, by that burden being assumed, *pro tanto* (as devised by the Act of 1822), and borne by the 400 or 500 foreigners, the 690 widows and spinsters, and about 1500 other parties composing the *proprietors of the Bank of England.* *V.* note a, p. 37 *ante.*

In terms of the Charter of the Bank the Directors, on their appointment, take an oath "to give their best advice and "assistance for the *support* of the Bank." Giving them credit for *Patriotism in assuming that burden and laying it upon the Corporation in relief of the Public;* it would have been perjury to have *merged* in that sentiment, consideration of the *support, i.e., profit* of the Bank. And that the transaction, how perilous soever, was most profitable to the Bank, becomes too manifest, when it is considered that the Bank never gave anything for that annuity of more than *half a million* (£585,740) *for* 44 *years, except its promissory notes to the amount of* 13 *millions* (£13,092,419), which cost nothing but the paper and printing—but which, nevertheless, at the cost of the Public have been *given back to the Bank to be cancelled* at the rate of £585,740 per ann. paid half yearly since 1823, leaving 5¼ millions (£5,275,467)†

	£		£	
* 1823	2,178,589	1826	2,165,740	Which is about equivalent to a payment of the whole 13 millions in one sum in July 1825, for an annuity of £585,740 for 44 years, the value of which in present money was £13,121,488.‡
4	2,445,740	7	2,030,740	
5	2,296,240	8	1,975,370	
	6,920,569		6,920,569	
	Per Geo. IV, c. 22.		£13,092,419	

† The value in present money of an annuity of £585,740 for 11 years unexpired on the 5th April 1856.‡

‡ ~~By the Carlisle Tables~~, interest at 3½ per cent.

of such notes now, in 1856, still *out*—and which amount of 5¼ millions, if the partnership of the Bank were now in 1856 dissolved, it would lack of its assets *in present money*, unless the annuity could be sold for that sum.

Having resumed payment of its notes in cash in the year 1822, after stoppage of such payment for the quarter of a century preceding that year—the Bank, in March 1823, when the agreement for the annuity was made, had 17 millions (£17,174,940)* of notes *out* payable in coin on demand, without any means of paying the same except with the Coin in its coffers, by sale or coinage of Bullion, and by realization of the securities for which parts of such notes were issued, and except the fund of accumulated profits called "The Rest," which then was 3 millions (£3,130,623),† the whole capital of the Bank then 14½ millions (£14,686,800);‡ being lent to the Public at interest of 3 per cent. per ann. (as part of the price of the exclusive privileges, etc., sold by the Public to the Bank), not repayable to the Bank in March 1823 till after the expiration of eleven years from that time, viz., upon 12 months notice from the Public to the Bank, given after 1st August 1833.

The demand in the circulating medium for notes of the Bank in the years 1821 and 1822, was supplied by the issue of 19¾ millions (£19,720,280) of such notes on the average of those two years,‖ during which the Bank *was not liable to pay its notes in coin on demand.* There *could* be no rational ground, in March 1823, for anticipating that, in the then next *five* years, during which the Bank *would be liable to pay its notes in coin on demand,* there would arise demand for 13 millions (£13,092,419) of its notes to be *out* in the circulating medium *ultra* the 19¾ millions *out* on the average of 1821 and 1822; and yet the Directors of the Bank, by that agreement of 27th March 1823, undertook to force out of the Bank in the then next five years, for that annuity of

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* Parliamentary paper No. 722, Sess. 1832, Appx. No. 83, p. 81.

† Same paper, App. No. 5, p. 23. ‡ Finance Accounts, anno 1823, p. 158.

‖ $\left.\begin{array}{ll} & \pounds \\ 1821 & 21{,}577{,}670 \\ 1822 & 17{,}862{,}890 \end{array}\right\}$ £ 39,440,560÷2=19,720,280. Same paper, Appx. No. 81, p. 73.

£585,740, 13 millions (£13,092,419) of notes, irrevocable for 44 years, except as far as the half-yearly payments of the annuity would bring them back; and such 13 millions of notes they forced out accordingly—which it is manifest could not be done, should *demand for them* in the circulating medium, *ultra* the 19¾ millions of notes out in 1823, *not arise*, otherwise than by withdrawing 13 millions of notes from the supply of what may be called the natural demand in the circulating medium for notes of the Bank.

Under such circumstances, the consent of the Directors of the Bank to give, and the consent of the Government of the year 1823 to take, for that annuity, 13 millions of notes of the Bank payable to bearer in coin on demand, notwithstanding 17 million of notes of the Bank were then *out* (the Bank having no means for payment of such 13 millions of notes except the annuity itself as it should come in from half year to half year, and the fund of 3 millions (£3,130,623), called "The Rest"), may surely well be said was an act of *insanity* on the part of the Government; the relief to the Public not being *comparatively* a feather's weight—and an act of *insanity* on the part of the Directors of the Bank, as, in the very year next after the resumption of payment of its notes in cash (after stoppage of such payment for the quarter of a century preceding), all but insuring *another such stoppage of payment.* Any other motive than the *lucri sacra fames* for a transaction so perilous can hardly, with the utmost stretch of charity, be ascribed to the Directors of the Bank.

The natural effects and consequences soon followed. For in December 1825, less than *three* years after the date of the agreement, when the Bank had *given out* less than *six* millions (£5,809,991)* in part of the 13 millions (£13,092,419) of its notes to be given out for the annuity—the Directors SUGGESTED *to the Government the issue of an Order in Council for another stoppage of payment of its notes in cash by the Bank* (for proof of which fact, *v.* note, p. 39 *ante.*)

* Parliamentary paper No. 722, Appx. No. 6, p. 27.

On 17th July 1839, the unexpired term of the annuity being then $27\frac{3}{4}$ years, and its value in present money $10\frac{1}{4}$ millions (10,319,099),* the Directors of the Bank took biddings at an attempted *sale* by them of parts or portions of it, but effected no sale thereof,†—and in their distress afterwards, pawned it in foreign countries, and to the East India Company, for loans of money on the security of it, to enable them to meet the payment of their notes insanely issued and *out* for the purchase of that annuity.

In the minutes of evidence annexed to the Report of the Select Committee on Banks of Issue, (No. 602, Sess. 1840), in the examination of G. W. Norman, a Director of the Bank, the following occurs, viz.

Question 1897. Will you state generally the further measures adopted by the Bank in the course of the summer? (of 1839).

Answer. The Bank subsequently raised the rate of discount to $5\frac{1}{2}$, and on the 1st August to 6 per cent.—and having sold those securities, which the market would readily take, they attempted to make sale of a portion of the *dead-weight*—but for that dead-weight the offers did not reach the price which the Bank thought it fairly worth; and they then *pledged* a portion, and obtained credit, *in foreign countries, upon it,* which they made use of to the extent of about *two millions and a half;* they also borrowed £750,000 on Exchequer-bills from the East India Company on *the security of the dead-weight,* a portion of which they made use of.

As notes *bona fide* payable in coin on demand cannot be issued and *kept out* by any Bank in amount *ad libitum*—the Bank of England having in 1839 *out* $10\frac{1}{4}$ millions (£10,319,099) of its notes sunk *irrevocably* for that annuity of £585,740, was, of course, thereby limited and restricted in the issue of its notes for the proper and regular, and what may be called the *legitimate*, business of a Bank of issue. And, accordingly, the annual average amount of *commercial paper* under discount at the Bank, which during the 4

* ~~Carlisle Tables,~~ Interest at $3\frac{1}{2}$ per cent.

† Parliamentary paper No. 602, Sess. 1840, Appx. No. 27, p. 263.

years ending with 1826 was 4 millions (£3,835,850),* was during the five then next following years ending with 1831 reduced by very nearly *two-thirds*, namely, to 1½ million (£1,426,400).†

Considering the peril in which the Bank was placed by the Directors of it giving *out* 13 millions of its notes for that annuity, to make profit *during a term of* 45 *years*, for themselves and the other proprietors of the Bank, regardless of any and every other consideration—it would seem not only discreet, but moreover wise and politic, in any Act of Parliament for establishing a National Bank, possessing power to issue *State-paper* money, to prohibit such Bank from issuing any of such paper-money except for coin or bullion, or for *Public securities* at all times saleable on the Stock Exchange, or for any *Private security* or securities not having more than • months to run before becoming due and payable,—because a Bank cannot either with its notes payable in coin on demand, or with the deposits of its customers, purchase to great amount, and *hold*, securities which are either in their nature *inconvertible*, or which have very long time to run before becoming due and payable, *without great peril of stopping payment*, although such Bank may be perfectly and unquestionably *solvent.*

	£		£	
* 1823	3,123,800	† 1827	1,240,400	
4	2,369,800	8	1,167,400	
5	4,941,500	9	2,250,700	Parliamentary paper
6	4,908,300	1830	919,900	No. 722, Sess. 1832.
		1	1,553,600	App. No. 59, p. 54.
	4)15,343,400			
			5)7,132,000	
	£3,835,850			
			£1,426,400	